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Attorneys for Plaintiffs,
CHRIS W. & JENNIFER W.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

CHRIS W. & JENNIFER W.

Plaintiffs,

v.

PROVIDENCE HEALTH PLAN; BLUE CROSS OF CALIFORNIA dba ANTHEM BLUE CROSS; and DOES 1 through 10,

Defendants.

Case No. 20-cv-04491-JD

DECLARATION OF KATIE J. SPIELMAN IN SUPPORT OF PLAINTIFFS' OPPOSITION TO DEFENDANT PROVIDENCE HEALTH PLAN'S MOTION TO DISMISS COMPLAINT DUE TO LACK OF JURISDICTION

Date: October 8, 2020
Time: 10:00 a.m.
Judge: Hon. James Donato

I, KATIE J. SPIELMAN, declare:

1. I am an attorney at law duly licensed to practice before all courts in the State of California including this Court. I am a partner in the law firm entitled the DL Law Group, counsel of record in the instant action.

2. Attached hereto as Exhibit A is a true and correct copy of the Providence 2019 year-end financial statement for the fiscal year ending December 31, 2019. Printed from https://www.providence.org/about/financial-statements on September 11, 2020.

3. Attached hereto as Exhibit B is a true and correct copy of documentation regarding Providence Plan Partners found on the California Department of Insurance website. Printed from https://interactive.web.insurance.ca.gov/webuser/Licw_Agy_Det$.STARTUP?Z_ORG_ID=377753&Z_AGY_LIC_NBR=0M39536 on September 11, 2020.

4. Attached hereto as Exhibit C is a true and correct copy of information "About Us" found on the Providence Health Plan website. Printed from https://healthplans.providence.org/about-us/ on September 11, 2020.

5. Attached hereto as Exhibit D is a true and correct copy of contact information for Providence Health Network found on the California Department of Managed Health Care website. Printed from https://wpso.dmhc.ca.gov/hpsearch/details.aspx?id=933%200497&name=&page=all on September 11, 2020.

6. Attached hereto as Exhibit E is a true and correct copy of "How We Began/Providence" found on the Providence website. Printed from https://www.providence.org/about/our-heritage on September 11, 2020.

7. Attached hereto as Exhibit F is a true and correct copy of "The Future of Health For All/Providence" information found on the Providence website. Printed from https://www.providence.org/about on September 11, 2020.

8. Attached hereto as Exhibit G is a true and correct copy of "Where We Serve/Providence" information found on the Providence website. Printed from https://www.providence.org/about/where-we-serve on September 11, 2020.

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct, and I signed this declaration on September 14, 2020 in San Francisco, California.

/s/ Katie J. Spielman
Katie J. Spielman

EXHIBIT A

Providence

CONTINUING DISCLOSURE ANNUAL REPORT

Information Concerning

PROVIDENCE ST. JOSEPH HEALTH
AND THE OBLIGATED GROUP

The Continuing Disclosure Annual Report (the Annual Report) is intended solely to provide certain limited financial and operating data in accordance with undertakings of the Providence and the Members of the Obligated Group under Rule 15c2-12 (the Undertaking) and does not constitute a reissuance of any Official Statement relating to the bonds referenced above or a supplement or amendment to such Official Statement.

The Annual Report contains certain financial and operating data for the fiscal year ended December 31, 2019. Providence has undertaken no responsibility to update such data since December 31, 2019, except as set forth herein. This Annual Report may be affected by actions taken or omitted or events occurring after the date hereof. Providence has not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Providence disclaims any obligation to update this Annual Report, or to file any reports or other information with repositories, or any other person except as specifically required by the Undertaking.

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About Providence

Our Organization

Providence is a national, not-for-profit Catholic health system comprised of a diverse family of organizations driven by a belief that health is a human right. With 51 hospitals, more than 1,000 clinics, and many other health and educational services, our health system and partners employ nearly 123,000 caregivers serving more than five million patients in communities across seven Western states – Alaska, California, Montana, New Mexico, Oregon, Texas and Washington. Our caregivers provide quality, compassionate care to all those we serve, regardless of coverage or ability to pay.

Continuing an enduring commitment to world class care and serving all, especially those who are poor and vulnerable, Providence uses scale to create Health for a Better World, one community at a time. We have been pioneering health care for 164 years, and have a history of responding with strength and innovation during challenging health care environments. Together, we are reimagining the future of health care delivery in our communities for all ages and populations. Our strategies to diversify and modernize are enabling high-quality care at affordable prices, including through networks of same-day clinics and online care and services.

We are privileged to serve in dynamic, contiguous markets with growing populations, which has led to consistent increases in service utilization. We offer a comprehensive range of industry-leading services, including an integrated delivery system of acute and ambulatory care for inpatient and outpatient services, 29 long-term care facilities, 16 supportive housing facilities, over 7,600 directly employed providers and over 26,000 affiliated providers, a health plan, senior care, financial assistance programs, community health investments, and educational ministries that include a high school and university.

Providence, with headquarters in Renton, Washington, and Irvine, California, is governed by a sponsorship council comprising members of its two sponsoring ministries, Providence Ministries and St. Joseph Health Ministry. We are dedicated to ensuring the continued vibrancy of not-for-profit, Catholic health care in the United States. As one of the largest health systems in the United States, our Mission and values call us to serve each person with love, dignity and compassion, reflecting the legacy of the Sisters of St. Joseph and the Sisters of Providence.

The Mission

As expressions of God's healing love, witnessed
through the ministry of Jesus, we are steadfast in serving all,
especially those who are poor and vulnerable ®

Our Values

Compassion | *Dignity* | *Justice* | *Excellence* | *Integrity*

Our Vision

Health for a Better World

Our Promise

"*Know me, care for me, ease my way.*"

Our Strategic Plan

Innovating new approaches to strengthen the Mission and continuously improve. Guided by the Mission and our values, we are executing a strategic plan intended to accelerate our progress toward achieving our vision of Health for a Better World. This far-reaching vision includes continuing to deliver high-quality, patient-centered care; ensuring patients are digitally-enabled; and our ministries serving as a partner in health for the patients and communities we serve. We intend to achieve this by focusing on the core areas of revenue growth, capital efficiency and process modernization. Our integrated strategic and financial plan is supported by three key principles:

Strengthen the core. We are focused on delivering outstanding, affordable health care, housing, education and other essential services to our patients and communities by:

- Creating a work experience where caregivers are developed, fulfilled and inspired to carry on the Mission
- Delivering safe, compassionate, high-value quality health care
- Making Providence the provider partner of choice in all our communities
- Stewarding our resources to improve operational earnings
- Fostering community commitment to our Mission via philanthropy

Be our communities' health partner. We are focused on being our communities' health partner, working to achieve the physical, spiritual and emotional well-being of all. We seek to ease the way of our communities by:

- Transforming care and improving population health outcomes, especially for those who are poor and vulnerable
- Leading the way in improving our nation's mental and emotional well-being
- Extending our commitment to whole person care for people at every age and stage of life
- Engaging with partners in addressing the social determinants of health, with a focus on education, housing, and the environment
- Being the preferred health partner for our communities, and those we serve

Transform our future. We respond to the evolving health care landscape, pursuing new opportunities that transform our services, in a strategic and effective manner. We seek to expand and further sustain our Mission by:

- Diversifying sources of earnings to ensure sustainability of the ministry
- Digitally enabling, simplifying, and personalizing the health experience
- Creating an integrated scientific wellness, clinical research and genomics program that is nationally recognized for breakthrough advances
- Utilizing insights and value from big data to drive strategic transformation
- Activating the voice and presence of the System nationally to improve health

Strategic affiliations. As part of our overall strategic planning and development process, Providence regularly evaluates and, if deemed beneficial, selectively pursues opportunities to affiliate with other service providers and invest in new facilities, programs, or other health care related entities. Likewise, we are frequently presented with opportunities from, and conduct discussions with, third parties regarding potential affiliations, partnerships, mergers, acquisitions, joint operating arrangements or other forms of collaboration, including some that could affect the Obligated Group Members. It is common for several such discussions to be in process concurrently. System management pursues such arrangements when there is a perceived strategic or operational benefit that is expected to enhance our ability to achieve the Mission and/or deliver on our strategic objectives. As a result, it is possible that the current organization and assets of the Obligated Group may change.

In 2019, Providence announced a potential partnership with Adventist Health System/West. The parties' original proposal to develop a joint operating company aimed at lowering cost and improving patient access and experience in the region by integrating clinical activities and services in six Northern

California counties was denied by the California Attorney General. Both parties are currently evaluating alternative options for improving community care. In addition, during the first quarter of 2019, Providence announced that Providence – Southern California and Cedars-Sinai had agreed to create a joint venture that will own and operate Providence Tarzana Medical Center (the "Tarzana Medical Center"), which is situated in Tarzana, California and is currently owned and operated by Providence – Southern California. Providence – Southern California will retain a controlling interest in the Tarzana Medical Center and, with Cedars-Sinai, would jointly build-out and redevelop the campus of the Tarzana Medical Center.

Providence will continue to evaluate opportunities for strategic growth. Providence does not typically disclose such discussions unless and until it appears likely that an agreement will be reached and any required regulatory approvals will be forthcoming.

Key Initiatives

Unifying around a common brand. St. Joseph Health and Providence Health & Services became one organization in 2016 because we knew we could do more for our communities together than on our own. At that point, we adopted the name Providence St. Joseph Health for the parent organization. We are blessed to be a diverse family of ministries and organizations committed to Health for a Better World. After months of careful deliberation, we are unifying our Catholic ministries around a common brand: the St. Joseph Health cross and the word Providence. We recognized in order to unify around a common brand to strengthen Catholic health care in our communities, we need an easily identifiable common brand that ensures patients, families, employers and consumers recognize and understand our comprehensive and diverse network of care. The unified brand will allow us to be more effective advocates for value-based health care reform and a stronger voice for those who are poor and vulnerable. The legal name of the parent organization will remain Providence St. Joseph Health.

Advancing state-of-the-art innovations through industry-leading partnerships. In 2019, we announced our multi-year strategic alliance with Microsoft to accelerate the digital transformation of health care. This alliance will combine cloud computing, artificial intelligence, research capabilities, and collaboration tools with our clinical expertise and care environments, while ensuring the security and privacy of our patient data remains the paramount priority. We are developing a portfolio of integrated solutions designed to improve health outcomes and reduce the total cost of care by combining new health care technologies to transform the care experience. The goal will be to scale these innovations across our system, in a transformation that will bring innovative and necessary solutions to more communities.

Diversifying revenue as a tech-enabled services provider. In 2019, we acquired Bluetree, an Epic consulting and strategy company that helps health care providers maximize their use of technology. The acquisition is part of a strategy to diversify revenue to support patient care and our Mission. In joining our System, Bluetree will extend its customer reach of more than 140 health system clients nationwide and pursue additional growth and innovation opportunities. We have extensive experience internally maximizing Epic, both within our own seven-state system and for other independent hospitals and medical groups. By acquiring Bluetree, we will expand our current offerings to increase the value we deliver to other health systems across the country. With the addition of Bluetree, we now have two electronic health record solutions companies.

Modernizing our revenue cycle through blockchain technology. We are using our scale to integrate best-in-class technologies to reduce administrative burden for providers and payers. In 2019, we acquired Lumedic, a next-generation revenue cycle management platform based on blockchain to build a collaborative information-sharing platform. We believe we are the first integrated provider-payer system to establish a scalable platform to transform claims processing and enhance interoperability between providers and payers. We are engaged in efforts to reinvent our revenue cycle platform that aim to lower overall costs, improve caregiver focus, and make care more affordable. The revenue cycle management system can also be commercialized for a diversified revenue stream to better support our Mission.

Ambulatory Care Network

Creating best in class, lower cost health and wellness services for consumers. The Ambulatory Care Network continues to deliver on commitments to build a network of optimized, connected, lower cost ambulatory services across Providence. In 2019, the consumer-focused division delivered high-quality, convenient care with 2.7 million visits, and achieved top marks across the ExpressCare and Urgent Care customer experience. We exceeded growth targets adding 38 sites, a 27-percent increase in growth from adjusted baseline, including 16 ExpressCare clinics, 11 Urgent Care clinics, three Ambulatory Surgery Centers, and eight One Medical retail sites. We also secured a partnership with Surgical Care Affiliates, one of the largest ambulatory surgery centers in the United States, to develop a system-wide lower cost, high-quality network of ambulatory surgery centers, and continued to deliver digitally-enabled experiences consumers want with the launch of ExpressCare Virtual in Alaska, Washington, Montana, Oregon and California.

Population Health Management

Making a transformational shift from health care to health. Population Health models and initiatives form a vital pillar in achieving our strategic plan of transforming care, delivering value-based care, and creating healthier communities together. Our goal is to maximize the health outcomes of the people in our defined populations and communities through the design, delivery and coordination of affordable quality health care and services. We integrate solutions to improve social determinants of health and provide care management for complex patients. We are building community partnerships to increase access to health services, transportation, housing, education, food banks, and mental health services.

Our Population Health Management division is composed of a family of services, including Population Health Informatics, Value-Based Care, Payer Contracting, Risk Sharing & Payments Models, Care Management, and Mental Health Improvement that support our Providence regional care delivery systems; and two businesses: Providence Health Plans and Ayin Health Solutions.

Providence Health Plan (*"PHP"*), a 501(c)(4) Oregon non-profit health care service contractor, and Providence Health Assurance (*"PHA"*), a wholly-owned subsidiary of PHP, are collectively referred to as the Health Plans. Providence Plan Partners (*"PPP"*), is a 501(c)(4) Washington non-profit corporation. PPP recently announced that it has entered into a nonbinding Letter of Intent with CareOregon to evaluate combining their capabilities in order to serve Medicaid, Medicare and dually eligible Medicaid-Medicare members in the state of Oregon.

The Health Plans provide services to a wide range of clients, including self-funded employers, and insurance coverage for large group employers, small group employers, individual and family coverage under the Affordable Care Act, Medicare Commercial, Medicare Advantage, Managed Medicaid risk administration, pharmacy benefits management, workers compensation services, and network access services under preferred plans.

Digital Innovation

Making health care easier, more collaborative and more rewarding. We work to bring health care into the digital and consumer age with a steadfast focus on patient and consumer value. We deploy digital solutions to deliver personalized care that is accessible, convenient and connected. We approach this challenge comprehensively: prioritizing or repurposing existing technologies, identifying best-of-breed external companies to pilot, scale and/or invest, and incubating new technologies in-house, where appropriate. We also actively collaborate with other health systems and major consumer technology companies on shared problems and common goals. Fueled by our vision for modernized health care, we believe this strategy will help to lower the cost of care, generate new digital revenue streams, and unlock population health management capabilities that help entire communities stay healthy.

Advancing Mission-driven innovation. Founded in 2014, Providence Ventures manages a $300 million venture capital fund designed to achieve venture class returns through direct investments in innovative health care companies that improve quality and convenience, lower cost and improve health outcomes. Providence Ventures offers investment capital and health system expertise to best-in-class companies addressing existing and emerging challenges in health care. We also partner with our portfolio companies to refine existing solutions, while expanding their adoption within and beyond our health system. Our venture funds target early and growth-stage health care companies that specialize in health care information technology, technology-enabled services, health care services, and medical devices.

Home & Community Care

Bringing excellent medical care to the home setting. As a trusted partner for individuals and families, our community-based care and services are geared to help in times of need, aging and illness, and at the end of life. We provide a full range of post-acute services, including assisted living, skilled nursing and rehabilitation, home health, home infusion and pharmacy services, home medical equipment, hospice and palliative care, Program of All-Inclusive Care for the Elderly (PACE) locations, supportive housing, and personal home care services. As our Mission calls us to serve the most vulnerable and poor members of our community, we provide a full range of services and support more to than 38,000 patients, participants and residents each day. The demand for these services continues to increase in the markets we serve, creating opportunities for continued growth, innovation and investment.

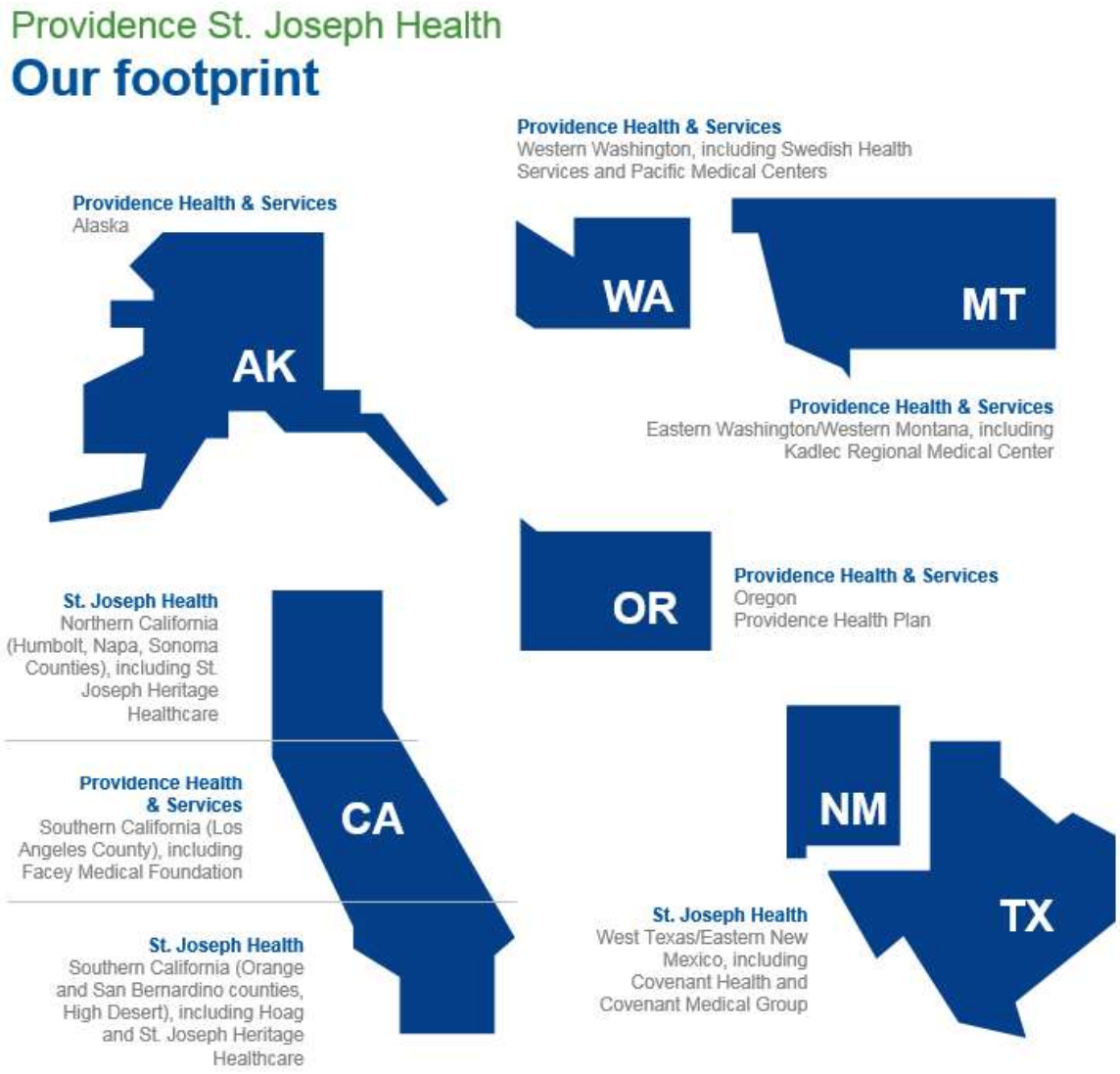
Physician Enterprises

The physician enterprise within the System consists of employed and foundation and affiliate physicians, providers and their supporting care teams. Our Employed Provider Network (the *"Provider Network"*) is composed of eight provider service organizations. The physician enterprise aims to create a more unified provider voice and patient experience for consumers across Providence's seven states through its medical group and affiliate practices.

Medical groups and medical foundations within the Provider Network include: Providence Medical Group, a network serving Alaska, Washington and Montana, and Oregon; Swedish Medical Group, with staffed clinics throughout Washington's greater Puget Sound area; Providence Medical Institute (*"PMI"*), in Southern California; Pacific Medical Centers, in western Washington; Kadlec, serving communities in southeast Washington; Providence St. John's Medical Foundation, in Southern California; Facey Medical Foundation (*"Facey"*), in Southern California; St. Joseph Heritage Healthcare, in Northern and Southern California; Covenant Medical Group and Covenant Health Partners, operating in West Texas and Eastern New Mexico.

The System is organized into the geographic regions spanning seven states across the western United States shown in the graphic below.

EXHIBIT 1.1



Region Information

The System's operating revenue share by geographic region is presented for the fiscal years ended December 31:

	Fiscal Year Ended	
EXHIBIT 1.2 - REGIONAL OPERATING REVENUE SHARE	12-31-2018	12-31-2019
Alaska	4%	4%
Swedish	11%	11%
Washington and Montana	20%	20%
Oregon	21%	21%
Northern California [1]	6%	6%
Southern California [1]	29%	31%
West Texas and Eastern New Mexico [2]	6%	5%
Other (including Home & Community Care)	3%	2%

(1) Includes recognition of revenue from California provider fee program of $633 million in 2019 and $604 million in 2018.
(2) As reported, the West Texas/Eastern New Mexico regional share decreased due to $462 million in divested revenue related to the sale of Texas-based FirstCare Health Plans in 2019, including eliminations related to claims activity in 2018.

Alaska

As the largest health system in Alaska, the System includes 17 facilities throughout the state, with a 32-percent inpatient market share statewide in 2018, as reported by the Alaska Health Facilities Data Reporting Program. Providence Alaska Medical Center (*"PAMC"*) is the largest hospital in the state. The System's 17 Alaska facilities are located in the greater Anchorage area, with 56 percent inpatient market share, and in the remote communities of Kodiak, Seward and Valdez, as reported by the Alaska Health Facilities Data Reporting Program. PAMC is a 401-bed acute care facility and the only comprehensive tertiary referral center in the state. St. Elias Specialty Hospital, a 59-bed long term acute hospital (the only one in the state) is also located in the Anchorage area. Three critical access hospitals are located in Kodiak, Seward and Valdez, all co-located with skilled nursing facilities.

Swedish

In the greater Puget Sound area of Washington, Swedish Health Services operates five hospital campuses: First Hill, Cherry Hill, Ballard, Edmonds and Issaquah located in King and Snohomish counties. The inpatient market share for Swedish was 26 percent in 2018, as reported by the Comprehensive Hospital Abstract Reporting System. Swedish also has ambulatory care centers in Redmond and Mill Creek, and a network of more than 100 primary care and specialty clinics throughout the Seattle metropolitan corridor.

Washington and Montana

In the Washington-Montana region, the System includes 12 hospitals, with a 44-percent inpatient market share in their service areas in 2018, as reported by the Comprehensive Hospital Abstract Reporting System. The region is composed of five geographic markets: Northwest Washington, Southwest Washington, Eastern Washington, Southeast Washington and Western Montana, with medical groups in the region employing more than 2,300 providers. The region provides a variety of services, including home health care, primary and immediate care services, inpatient rehabilitation, and general acute care services.

Oregon

The Oregon region includes eight hospitals in Portland, Hood River, Medford, Milwaukie, Newberg, Seaside and Oregon City, with a total inpatient market share of 30 percent in their service areas in 2018, as reported by Apprise Health Insights. Providence St. Vincent Medical Center provides tertiary

care to the Portland metropolitan market. The region also provides more than 100 primary care, specialty and immediate care clinics, home health care, and housing. The Health Plans are based in Oregon, and a majority of the members (nearly 650,000) live in the region.

Northern California

The System's ministries in Northern California serve the North Coast, Humboldt, Napa and Sonoma communities with five hospitals, ambulatory surgery centers, urgent care centers, wellness centers, physician offices, home health, hospice, and rehabilitation sites. The acute care hospitals in Northern California had 37-percent inpatient market share in their service areas in 2018, as reported by the Office of Statewide Health Planning and Development. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

Southern California

The Southern California region includes 13 acute care hospitals in Los Angeles, Orange and San Bernardino counties, and the High Desert, with a total inpatient market share of 25 percent in their service areas in 2018, as reported by the Office of Statewide Health Planning and Development. In Los Angeles County, the System includes six acute care facilities. Our largest hospital, Providence St. Joseph Medical Center, is located in Burbank. The System also includes hospitals in Mission Hills, San Pedro, Tarzana, Torrance and Santa Monica. Providence Medical Foundation (*"PMF"*) operates 63 practice locations in the market, offering more than 20 types of specialty care. PMF includes the Facey, PMI and Providence St. John's medical foundations, In addition, the System includes seven acute care facilities within Orange and San Bernardino counties: Apple Valley, Fullerton, Mission Viejo, Laguna Beach, Newport Beach, Irvine and Orange. Mission Hospital is located on two campuses in Mission Viejo and Laguna Beach, and maintains the region's level II trauma center, as well as a women's center. Hoag Hospital, which also is composed of two campuses, in Newport Beach and Irvine, also includes Hoag Orthopedic Institute, part of St. Joseph Hoag Health alliance described below. St. Joseph Heritage Healthcare, a medical foundation, operates clinics in the region with its contracted physician partners.

West Texas and Eastern New Mexico

The West Texas-Eastern New Mexico region includes Covenant Health System and Covenant Medical Group. Covenant Health System and its related Texas affiliates is the market's largest health system with seven licensed hospitals; the inpatient market share was 40 percent in their service areas in 2018, as reported by Texas Health Care Information Collection. Covenant Health System also operates Grace Health System, which includes Grace Clinic and Grace Medical Center, and Covenant Medical Group, a medical foundation physician network of employed and aligned physicians. Covenant Health System, operates two acute care community hospitals in the region, Covenant Health Plainview and Covenant Health Levelland, and Specialty Hospital, a long-term acute care facility. Covenant Health System also operates a joint venture acute rehabilitation facility and Hospice of Lubbock.

Obligated Group

Providence and the other entities so designated in the Glossary are currently Obligated Group Members under the Master Indenture.

Providence is the Obligated Group Agent under the Master Indenture. Under the Master Indenture, debt incurred or secured through the issuance of Obligations under the Master Indenture are the responsibility, jointly and severally, of the Obligated Group Members. Pursuant to the Master Indenture, Obligated Group Members may be added to and withdrawn from the Obligated Group under certain conditions described in the Master Indenture. INDEBTEDNESS EVIDENCED OR SECURED BY OBLIGATIONS ISSUED UNDER THE MASTER INDENTURE IS SOLELY THE OBLIGATION OF THE OBLIGATED GROUP, AND SUCH OBLIGATIONS ARE NOT GUARANTEED BY, OR THE LIABILITIES OF, SISTERS OF PROVIDENCE, MOTHER JOSEPH PROVINCE, ANY OTHER PROVINCE OF THE SISTERS OF PROVIDENCE MONTREAL CONGREGATION, THE LITTLE COMPANY OF MARY SISTERS, AMERICAN PROVINCE, SISTERS OF ST. JOSEPH OF ORANGE, THE ROMAN CATHOLIC CHURCH, OR ANY AFFILIATE OF THE SYSTEM THAT IS NOT AN OBLIGATED GROUP MEMBER.

System Utilization

The System's key volume indicators are presented for the fiscal years ended December 31:

EXHIBIT 2.1 - SYSTEM UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2018	 12-31-2019
Inpatient Admissions	514	507
Acute Adjusted Admissions	1,025	1,041
Acute Patient Days	2,441	2,464
Long-Term Patient Days	413	402
Outpatient Visits (incl. Physicians)	26,915	27,302
Emergency Room Visits	2,108	2,125
Surgeries and Procedures	690	699
Acute Average Daily Census (Actual)	6,688	6,752
Providence Health Plan Members	648	649

Obligated Group Utilization

The Obligated Group's key volume indicators are presented for the fiscal years ended December 31:

EXHIBIT 2.2 - OBLIGATED GROUP UTILIZATION DATA PRESENTED IN THOUSANDS UNLESS NOTED	Fiscal Year Ended 12-31-2018	 12-31-2019
Obligated Group		
Inpatient Admissions	504	497
Acute Adjusted Admissions	974	982
Acute Patient Days	2,395	2,413
Long-Term Patient Days	402	392
Outpatient Visits (incl. Physicians)	21,450	21,402
Emergency Room Visits	2,089	2,097
Surgeries and Procedures	561	568
Acute Average Daily Census (Actual)	6,562	6,611

Financial Information

The summary audited combined financial information as of and for the fiscal years ended December 31, 2019 and 2018, respectively, are presented below. The financial information should be read in conjunction with the audited combined financial statements of the System, including the notes thereto, and the report of KPMG LLP, independent auditors.

For the fiscal year ended December 31, 2019, the audited combined net operating revenue and total assets attributable to the Obligated Group Members were approximately 84 percent and 87 percent, respectively, of the System totals. For the fiscal year ended December 31, 2018, the audited combined net operating revenues and total assets attributable to the Obligated Group Members were approximately 82 percent and 87 percent, respectively, of the Systems totals. Refer to Exhibit 6, below, for supplementary information on the Obligated Group Members.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions, estimates and judgments that affect the amounts reported in the combined financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. System management considers critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net operating revenues, which includes contractual allowances; impairment of long-lived assets; valuation of investments; accounting for expenses in connection with restructuring activities; provisions for bad debt; and reserves for losses and expenses related to health care professional and general liability risks. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from those estimates.

Summary Audited Combined Statements of Operations

EXHIBIT 3.1 - COMBINED STATEMENTS OF OPERATIONS $ PRESENTED IN MILLIONS	Fiscal Year Ended 12-31-2018	 12-31-2019
Net Patient Revenue	$18,998	$19,883
Premium Revenues	2,981	2,376
Capitation Revenue	1,378	1,514
Other Revenue	1,071	1,252
Total Operating Revenues	**24,428**	**25,025**
Salaries and Benefits	11,883	12,172
Supplies	3,563	3,698
Purchased Healthcare Services	2,414	2,049
Interest, Depreciation, and Amortization	1,360	1,345
Purchased Services, Professional Fees, and Other	5,043	5,388
Total Operating Expenses Before Restructuring Costs	**24,263**	**24,652**
Excess of Revenues Over Expenses from Operations Before Restructuring Costs	**165**	**373**
Restructuring Costs	162	159
Excess of Revenues Over Expenses from Operations	**3**	**214**
Total Net Non-Operating (Losses) Gains	(448)	1,144
(Deficit) Excess of Revenues Over Expenses	**$(445)**	**$1,358**
Operating EBIDA	**$1,363**	**$1,559**
Pro Forma Operating EBIDA [(1)]	**$1,525**	**$1,718**

[(1)] Pro forma Operating EBIDA normalizes for restructuring costs in 2019 and 2018.

Summary Audited Combined Balance Sheets

EXHIBIT 3.2 - COMBINED BALANCE SHEET $ PRESENTED IN MILLIONS	As of 12-31-2018	 12-31-2019
Current Assets:		
Cash and Cash Equivalents	$1,597	$1,316
Accounts Receivable, Net	2,257	2,400
Supplies Inventory	293	283
Other Current Assets	858	1,233
Current Portion of Assets Whose Use is Limited	654	702
Total Current Assets	**5,659**	**5,934**
Assets Whose Use is Limited:	9,599	10,855
Property, Plant & Equipment	10,871	10,978
Other Assets [1]	1,300	2,785
Total Assets	**$27,429**	**$30,552**
Current Liabilities:		
Current Portion of Long-Term Debt	$300	$85
Master Trust Debt Classified as Short-Term	110	205
Accounts Payable	1,098	1,035
Accrued Compensation	1,202	1,145
Other Current Liabilities [1]	1,835	2,428
Total Current Liabilities	**4,545**	**4,898**
Long-Term Debt, Net of Current Portion	6,258	6,393
Pension Benefit Obligation	1,065	1,094
Other Liabilities [1]	1,170	2,292
Total Liabilities	**$13,038**	**$14,677**
Net Assets:		
Controlling Interests	12,988	14,344
Noncontrolling Interest	168	150
Net Assets without Donor Restrictions	**13,156**	**14,494**
Net Assets with Donor Restrictions	**1,235**	**1,381**
Total Net Assets	**14,391**	**15,875**
Total Liabilities and Net Assets	**$27,429**	**$30,552**

[1] In 2019, the System adopted ASC 842, Leases, in accordance with U.S. GAAP and recognizes right-of-use assets and lease liabilities on the balance sheet for all leases with a term longer than 12 months.

Management's Discussion and Analysis: Fiscal Year Ended December 31, 2019

Management's discussion and analysis provides additional narrative explanation of the financial condition, operational results and cash flow of the System to assist in increasing understanding of the combined financial statements. The summary audited combined financial information as of and for the fiscal years ended December 31, 2019 and 2018, respectively, are presented below.

Results of Operations

Operations Summary

Operating earnings before interest, depreciation and amortization *("EBIDA")* and operating income were $1.6 billion and $214 million, respectively, for the fiscal year ended December 31, 2019, compared with $1.4 billion and $3 million, respectively, for the same period in 2018, and includes restructuring costs and the recognition of provider fee programs, in addition to the net revenue impact from the sale of Texas-based FirstCare Health Plans in 2019, compared with the prior year. Pro forma operating EBIDA and operating income normalized for restructuring costs increased $193 million and $208 million, respectively, for the fiscal year ended December 31, 2019, compared with the same period in 2018. The net increase was primarily driven by higher patient volumes, higher acuity, and higher labor productivity and rates, in addition to improved medical supply management due to key modernization initiatives. The System's key financial indicators are presented for the fiscal years ended December 31:

	AS REPORTED		PRO FORMA [1]	
EXHIBIT 3.3 - OPERATIONS SUMMARY $ PRESENTED IN MILLIONS	12-31-2018	12-31-2019	12-31-2018	12-31-2019
Operating Income	$3	$214	$165	$373
Operating Margin %	0.0	0.9	0.7	1.5
Operating EBIDA	1,363	1,559	1,525	1,718
Operating EBIDA Margin %	5.6	6.2	6.2	6.9
Net Service Revenue/Case Mix Adjusted Admits	12,066	12,099	12,066	12,099
Net Expense/Case Mix Adjusted Admits	12,064	11,980	11,902	11,892
Total Community Benefit	$1,595	$1,515	-	-
Full-Time Equivalents (thousands)	105	105	-	-

[1] Pro forma normalizes for restructuring costs in 2019 and 2018.

Volumes

While patient volumes have continued to grow in comparison to the prior year, this growth has coincided with a shift to the outpatient setting and higher acuity within the inpatient setting as measured by case mix adjusted admissions *("CMAA").* The System experienced three percent higher CMAA for the fiscal year ended December 31, 2019, compared with the same period in 2018. Surgeries and procedures continue to grow through a combination of Providence wholly-owned and joint venture activities, including a three percent increase in the Providence outpatient setting, compared with the prior year. Total outpatient visits increased by one percent for the fiscal year ended December 31, 2019, compared with the same period in 2018, as inpatient admissions for lower acuity services shift to the outpatient setting. Acute patient days and acute average daily census both increased by one percent for the fiscal year ended December 31, 2019, compared with the same period in 2018, reflecting higher acuity and longer stays in the inpatient setting.

Operating Revenues

Operating revenues for the fiscal year ended December 31, 2019 were $25.0 billion, an increase of two percent, compared with the same period in 2018, primarily driven by higher patient volumes, and higher acuity and rates, combined with the recognition of accrued reimbursements from provider fee programs of $942 million in 2019, compared with $894 million for the same period in 2018, in addition to the divestment of $462 million in net revenue due to the sale of Texas-based FirstCare Health Plans in

2019. Lower reimbursements for services from changes in payor mix, payment rates and procedure mix remains a significant challenge for the System. Government health programs, principally Medicare, continue to modestly outpace our commercial growth compared to the prior year, which has coincided with increases in acuity levels. Net patient revenues per CMAA remained steady for the fiscal year ended December 31, 2019, compared with the same period in 2018.

The System's operating revenues by state are presented for the fiscal years ended December 31 (footnotes appear beneath last table):

	Fiscal Year Ended	
EXHIBIT 3.4 - OPERATING REVENUES BY STATE $ PRESENTED IN MILLIONS	12-31-2018	12-31-2019
Alaska	$851	$877
Washington	6,724	7,036
Montana	433	450
Oregon	5,091	5,207
California [1]	8,684	9,083
Texas [2]	1,574	1,120
Total Revenues from Contracts with Customers	23,357	23,773
Other Revenues	1,071	1,252
Total Operating Revenues	$24,428	$25,025

The System's operating revenues by line of business are presented for the fiscal years ended December 31 (footnotes appear beneath last table):

	Fiscal Year Ended	
EXHIBIT 3.5 - OPERATING REVENUES BY LINE OF BUSINESS $ PRESENTED IN MILLIONS	12-31-2018	12-31-2019
Hospitals [1]	$16,187	$16,805
Health Plans and Accountable Care [2]	3,212	2,553
Physician and Outpatient Activities	2,726	2,865
Long-term Care, Home Care, and Hospice	990	1,198
Other Services	242	352
Total Revenues from Contracts with Customers	23,357	23,773
Other Revenues	1,071	1,252
Total Operating Revenues	$24,428	$25,025

The System's operating revenues by payor are presented for the fiscal years ended December 31:

	Fiscal Year Ended	
EXHIBIT 3.6 - OPERATING REVENUES BY PAYOR [3] $ PRESENTED IN MILLIONS	12-31-2018	12-31-2019
Commercial	$11,503	$11,918
Medicare	7,540	8,017
Medicaid [1]	3,781	3,441
Self-pay and Other	533	397
Total Revenues from Contracts with Customers	23,357	23,773
Other Revenues	1,071	1,252
Total Operating Revenues	$24,428	$25,025

(1) Includes recognition of revenue from California provider fee program of $633 million in 2019 and $604 million in 2018.
(2) Decrease due to $462 million in divested net revenue related to the sale of Texas-based FirstCare Health Plans in 2019.
(3) Represents total payor net patient revenues received, including premium and capitation revenue in accordance with ASC 606, Revenue from Contracts with Customers. Refer to Exhibit 6.3 within Exhibit 6 attached hereto for supplementary information on net patient revenue payor mix driven by patient utilization.

Operating Expenses

Operating expenses for the fiscal year ended December 31, 2019 were $24.7 billion, an increase of two percent, compared with the same period in 2018, primarily driven by costs associated with serving the System's higher patient volumes, combined with restructuring costs incurred to streamline operations and drive future operating performance. Labor productivity improved four percent on an adjusted occupied bed volumes basis, and medical supply costs per CMAA were lower by three percent, compared with the prior year. Overall salaries and benefits expenses increased three percent for the fiscal year ended December 31, 2019, compared with the same period in 2018. Supplies expense increased by four percent compared with the prior year, driven primarily by an eight percent increase in pharmaceutical spend. This growth was offset by higher labor productivity and expense management efforts with a one percent reduction in expenses per CMAA for the year ended December 31, 2019, compared with the same period in 2018.

Non-Operating Activity

Non-operating gains totaled $1.1 billion for the fiscal year ended December 31, 2019, compared with non-operating losses of $448 million for the same period in 2018. The increase was primarily driven by strong investment performance, including investment gains of $1.3 billion for the fiscal year ended December 31, 2019, compared with investment losses of $366 million for the same period in 2018.

Liquidity and Capital Resources; Outstanding Indebtedness

Unrestricted Cash and Investments

Unrestricted cash and investments totaled approximately $12.3 billion as of December 31, 2019, compared to $11.2 billion as of December 31, 2018, and includes cash generated from operations, debt service costs, capital spending and investment activity. The System's liquidity is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.1 - INVESTMENTS BY DURATION $ PRESENTED IN MILLIONS	12-31-2018	12-31-2019
Cash and Cash Equivalents	$1,597	$1,316
Short-Term Investments	511	549
Long-Term Investments	9,135	10,404
Total Unrestricted Cash and Investments	$11,243	$12,269

The System maintains a long-term investment portfolio comprised of operating and foundation investment assets. The System's target asset allocation for the long-term portfolio, by general asset class, is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.2 - INVESTMENTS BY TYPE	12-31-2018	12-31-2019
Cash and Cash Equivalents	2%	2%
Domestic and International Equities	45%	45%
Debt Securities	33%	38%
Other Securities	20%	15%

Financial Ratios

The System's financial ratios presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.3 - SUMMARY OF KEY RATIOS	12-31-2018	12-31-2019
Total Debt to Capitalization %	32.6	31.3
Comprehensive Debt to Capitalization % [1]	41.9	38.6
Cash to Debt Ratio %	176.6	185.9
Cash to Comprehensive Debt % [1]	118.4	134.5
Current Debt Service Coverage	4.4	3.0
Days Cash on Hand [3]	178	191
Debt to Operating Cash Flow [2]	4.7	4.2
Maximum Annual Debt Service	390	390
Cash to Net Assets Ratio	0.85	0.85

(1) Comprehensive Debt uses actuals for 2019 due to the adoption of ASC 842, Leases, with operating lease liabilities recognized on-balance sheet. Best estimates were used pre-adoption for prior periods.

(2) Debt to Operating Cash Flow, a measure of total debt to cash flow from operations, is calculated based on a rolling 12-months of EBIDA for the current period.

(3) Day Cash on Hand, a measure of cash in relation to monthly operating expenses, is calculated as follows: (unrestricted cash & investments) / (total operating expenses - depreciation and amortization expenses)/days outstanding during the periods)).

System Capitalization

The System's capitalization is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.4 - SYSTEM CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	12-31-2018	12-31-2019
Long-Term Indebtedness	$6,558	$6,478
Less: Current Portion of Long-Term Debt	300	85
Net Long-Term Debt	6,258	6,393
Net Assets - Unrestricted	13,156	14,494
Total Capitalization	$19,414	$20,887
Long-term Debt to Capitalization %	32.2	30.6

Obligated Group Capitalization

The Obligated Group's capitalization is presented for the fiscal years ended December 31:

	As of	
EXHIBIT 4.5 - OBLIGATED GROUP CAPITALIZATION $ PRESENTED IN MILLIONS UNLESS NOTED	12-31-2018	12-31-2019
Obligated Group		
Long-Term Indebtedness	$6,422	$6,362
Less: Current Portion of Long-Term Debt	296	81
Net Long-Term Debt	6,126	6,281
Net Assets - Unrestricted	11,739	12,911
Total Capitalization	$17,865	$19,192
Long-Term Debt to Capitalization %	34.3	32.7

System Debt Service Coverage

The System's coverage of Maximum Annual Debt Service (*"MADS"*) on indebtedness is presented for the fiscal years ended December 31 (footnote appears beneath Exhibit 4.7):

EXHIBIT 4.6 - SYSTEM DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2018	 12-31-2019
Income Available for Debt Service:		
(Deficit) Excess of Revenues Over Expenses	$(445)	$1,358
Plus: Unrealized Losses/Less: Unrealized Losses (Gains) on Trading Securities	652	(978)
Plus: Loss on Extinguishment of Debt	6	14
Plus: Loss on Pension Settlement Costs and Other	26	26
Plus: Depreciation	1,082	1,077
Plus: Interest and Amortization	278	268
Total	$1,599	$1,765
Debt Service Requirements: (1)		
MADS	$390	$390
Coverage of Debt Service Requirements	4.1x	4.5x

Obligated Group Debt Service Coverage

The Obligated Group's coverage of MADS on indebtedness is presented for the fiscal years ended December 31:

EXHIBIT 4.7 - OBLIGATED GROUP DEBT SERVICE COVERAGE $ PRESENTED IN MILLIONS UNLESS NOTED	As of 12-31-2018	 12-31-2019
Obligated Group		
Income Available for Debt Service:		
Excess of Revenues Over Expenses	$182	$1,805
Plus: Unrealized Losses/Less: Unrealized Losses (Gains) on Trading Securities	559	(834)
Plus: Loss on Extinguishment of Debt	6	14
Plus: Loss on Pension Settlement Costs and Other	30	26
Plus: Depreciation	1,010	999
Plus: Interest and Amortization	264	254
Total	$2,051	$2,264
Debt Service Requirements: (1)		
MADS	$390	$390
Coverage of Debt Service Requirements	5.3x	5.8x

(1) Debt Service Requirements has the meaning assigned to such term in the Master Indenture.

System Governance and Management

Corporate Governance

Providence serves as the parent and corporate member of PH&S and SJHS. Providence was created in connection with the combination of the multi-state health care systems of PH&S and the SJHS, which was effective on July 1, 2016 (the *"Combination"*). Providence has been determined to be an organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Prior to the Combination, the sole corporate member of PH&S was Providence Ministries, which acted through its sponsors, who are five individuals appointed by the Provincial Superior of the Sisters of Providence, Mother Joseph Province. Similarly, the sole corporate member of SJHS was St. Joseph Health Ministry, a California non-profit public benefit corporation. Providence Ministries and St. Joseph Health Ministry are each a public juridic person under Canon law, responsible for assuring the Catholic identity and fidelity to the Mission of their respective systems. Pursuant to the Combination, Providence Ministries and St. Joseph Health Ministry have entered into an agreement that establishes a sponsorship model through contractual obligations exercised by the parties' sponsors collectively (the *"Sponsors Council"*). The Sponsors Council retains certain reserved rights with respect to Providence. Among the powers reserved to the Sponsors Council are the following powers over the affairs of Providence (excluding certain affiliates, such as: Providence - Western Washington, Western HealthConnect, Swedish, Swedish Edmonds, PacMed, Kadlec and Hoag Hospital): to amend or repeal the articles of incorporation or bylaws of the Providence; the appointment and removal, with or without cause, of the directors of Providence; the appointment and removal, with or without cause, of the President and Chief Executive Officer of Providence; the approval of the acquisition of assets, incurrence of debt, encumbering of assets and sale of certain property; the approval of operating and capital budgets, upon recommendation of the Providence Board of Directors; and the approval of dissolution, consolidation or merger. Providence has reserved rights over PH&S and SJHS, which powers may be exercised by Board of Providence. Given the complexity of the System's governance structure, Providence routinely evaluates and considers alternative governance models to best meet the System's governance needs.

The following table lists the current members of the Board of Directors of Providence and the Sponsors Council.

Board of Directors	Term Expires (December 31)
David Olsen, Chair †	2021
Richard Blair †	2020
Dick Allen ‡	2022
Isiaah Crawford, PhD ‡	2022
Lucille Dean, SP †	2020
Diane Hejna, CSJ, RN. ‡	2022
Phyllis Hughes, RSM, PhD. ‡	2022
Mary Lyons, PhD. ‡	2022
Carolina Reyes, M.D. ‡	2022
Phoebe Yang ‡	2022
Charles W. Sorenson, M.D. Δ	2021
Lydia M. Marshall Δ	2021
Michael Murphy Δ	2022
Katharin S. Dyer Δ	2022
Rod Hochman, M.D.	Ex-officio

Sponsors Council	Term Expires (December 31)
Eleanor Brewer	2020
Ned Dolejsi	2020
Jeff Flocken	2025
Barbara Savage	2020
Bill Cox	2022
Russell Danielson	2027
Sr. Sharon Becker, CSJ	2027
Mark Koenig	2027
Sr. Margaret Pastro, SP	2028
Sr. Mary Therese Sweeney, CSJ	2028

† Not eligible for an additional term.
‡ Eligible for one additional three-year term.
Δ Eligible for up to two.

Executive Leadership Team

The following are key members of Providence's executive leadership team.

Name	Title
Rod Hochman, M.D.	President and CEO
Mike Butler	President of Operations and Strategy
Venkat Bhamidipati	EVP and CFO

Support Services

Corporate officers and supporting staff oversee the management activities carried on, on a day-to-day basis, by the management staff of each region. Each regional Chief Executive reports to the President of Operations, who oversees their management with emphasis on the service area's achievements in responding to unmet health care needs in the community, especially the unmet needs of the poor and vulnerable, productivity, developing integrated delivery systems, meeting financial guidelines, and maintaining or increasing market share. The Chief Financial Officer of Providence and Finance staff coordinate the annual budget and multi-year forecasts of the service areas, and manage the capital acquisition and management activities of the Obligated Group. Other areas in which the corporate staff provides centralized services or coordinates the activities of the service areas include: legal affairs, insurance and risk management, treasury services, materials management, technical support, fund raising, quality of care, medical ethics, pastoral services, mission effectiveness, human resources, planning and policy development, and public affairs.

Non-Obligated Group System Affiliates

In addition to the Obligated Group Members, the System includes: health plans; a provider network; numerous fundraising foundations; Providence Ventures, Inc., a Washington corporation that invests in health care activities; various not-for-profit corporations that own and operate assisted living facilities and low-income housing projects, including housing facilities for the elderly; and the University of Providence formerly known as University of Great Falls, located in Great Falls, Montana. The System also includes multiple operations involving or supporting home health, outpatient surgery, imaging services and other professional services provided through for-profit and non-profit entities that are not part of the Obligated Group. These entities are organized as subsidiaries of the System, partnerships or joint ventures with other entities. Obligated Group Members also may engage in informal alliances and/or contract-based physician relationships. Affiliates that are not Obligated Group Members are referred to in this Annual Report as the Non-Obligated Group System Affiliates. Certain Non-Obligated Group System Affiliates that are of significant operational or strategic importance and other Non-Obligated Group System Affiliates are discussed elsewhere in this Annual Report only to the extent they are viewed by System management to be of particular operational or strategic importance.

Control of Certain Obligated Group Members

General

Providence is the sole corporate member of PH&S and SJHS. PH&S is the sole corporate member, directly or indirectly, of each of Providence – Washington, Providence – Southern California, LCMASC, Providence – St. John's, Providence – SJMC Montana, Providence – Montana, Providence – Oregon, Swedish, Swedish Edmonds, Pac Med, Western Health Connect and Kadlec, and co-corporate member of Providence – Western Washington.

SJHS is the sole corporate member of SJHNC and, as more fully described hereinafter, a corporate member of St. Joseph Orange, St. Jude, Mission Hospital, St. Mary and CHS.

Northern California Region

SJHS is the sole member of St. Joseph Health Northern California, LLC, which, operates the hospital facilities known as Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka, and Redwood Memorial Hospital. The corporate entities of Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, St. Joseph Hospital of Eureka and Redwood Memorial Hospital, each a California nonprofit public benefit corporation (collectively, the "*Hospitals*") transferred their assets to SJHNC effective as of April 1, 2018. Effective December 31, 2019 the remaining corporate entities in connection with this reorganization were dissolved.

Southern California Region

In connection with the March 2013 affiliation of SJHS and Hoag Hospital, a new entity known as Covenant Health Network, Inc. (*"CHN"*), a California nonprofit public benefit corporation, was created. CHN is a corporate member of Hoag Hospital and St. Joseph Orange, St. Jude, Mission Hospital and St. Mary (the *"SJHS Southern California Hospitals"*). CHN, The George Hoag Family Foundation (Hoag Family Foundation) and the constituent churches of the Los Ranchos Presbytery of the Presbyterian Church (USA), as represented by the Association of Presbyterian Ministers (APM), are the corporate members of Hoag Hospital. None of CHN, Hoag Family Foundation or APM is an Obligated Group Member, or is obligated for payment with respect to the Bonds.

SJHS, CHN, Hoag Hospital and the SJHS Southern California Hospitals entered into an affiliation pursuant to the terms of an Affiliation Agreement dated as of October 15, 2012 (the *"CHN Affiliation Agreement"*). The CHN Affiliation Agreement, which became effective as of March 1, 2013, is designed to allow SJHS and each of the SJHS Southern California Hospitals on the one hand, and Hoag Hospital on the other hand, to preserve their respective Catholic and Presbyterian heritages and identities while creating an integrated community health care delivery system. The Affiliation Agreement was amended as of June 1, 2017 and Providence became a party to the arrangement. In addition, a Supplemental Agreement and two amendments were also entered into between the parties in 2017.

CHN does not have any corporate members, and neither Providence, SJHS, its affiliates, nor Hoag Hospital have any ownership interest in CHN. CHN's governing board consists of seven members, four of whom are designated by Providence in its sole discretion from persons who are members of the governing boards of SJHS, SJHS Southern California Hospitals, St. Joseph Health Ministry and/or Sisters of St Joseph of Orange, and/or members of Providence or SJHS management. The remaining three members are designated by Hoag Family Foundation and APM, acting jointly, in their sole discretion from members of the governing board of Hoag Hospital. The CHN board provides strategic planning leadership and oversight for the Southern California region.

CHN and SJHS have certain reserved powers with respect to the governance, management and operation of each of the SJHS Southern California Hospitals and Hoag Hospital. Some of these powers may be exercised only by a supermajority vote of the CHN Board of Directors, meaning the affirmative vote of at least three of the four members designated by Providence, and of at least two of the three members designated by Hoag Family Foundation and APM. Such reserved powers and powers that require a supermajority vote may be reviewed and revised from time to time. These reserved powers include, among others, certain actions relating to: (i) changes in articles and bylaws, (ii) certain board member and management appointments and removals; and (iii) certain hospital mergers, acquisitions, joint ventures, asset sales, cash transfers and financings. Hoag Family Foundation and APM also have reserved powers with respect to certain management and operating matters and transactions involving Hoag Hospital.

West Texas/Eastern New Mexico Region

SJHS and Lubbock Methodist Hospital System (*"LMHS"*) are the corporate members of CHS. CHS is the sole corporate member of CMC, Covenant Levelland and Covenant Plainview. LMHS is not an Obligated Group Member and is not obligated for payment with respect to the Bonds.

CHS was formed in 1998 pursuant to an affiliation between SJHS and LMHS and its affiliates, pursuant to which CHS became the sole corporate member of certain entities previously affiliated with LMHS and, together with certain of such entities, joined the obligated group to which SJHS and its affiliates were party.

CHS is governed by a 19-member board of directors. LMHS and SJHS each appoint eight directors. SJHS also appoints the Chief Executive Officer of CHS, who is an ex-officio voting director. The CMC Chief of Staff and Covenant Children's Hospital Chief of Staff also serve as ex-officio voting directors. SJHS has extensive authority with respect to the financial affairs of CHS and its subsidiaries, including, but not limited to, the approval of budgets of CHS and its subsidiaries and selection and retention of auditors.

As part of the affiliation, SJHS, CHS and LMHS entered into an agreement that significantly restricts the ability of SJHS to sever its relationship with CHS and the entities formerly affiliated with LMHS. Under certain circumstances, it also restricts CHS and SJHS from a wide variety of transactions (the *"Covered Transactions"*), including: (i) certain management agreements, leases, joint ventures and other transactions that might have the effect of transferring control of Covenant Medical Center or all assets of CHS and its subsidiaries to an unrelated third party, or in a manner that voids or reduces LMHS's right, as a member, to appoint directors; (ii) a sale, transfer or conveyance of all or substantially all of CHS' assets (including all of CHS' affiliates, taken in the aggregate); (iii) an affiliation, management agreement, lease or joint venture under which a third party acquires the right to control CHS, as a whole; or (iv) any other transaction in which the ability to appoint and remove more than 50 percent of the directors of CHS is transferred to a third party.

In the event SJHS or CHS undertakes a Covered Transaction, they are obligated to provide notice and information to LMHS and to make a "reciprocal offer" to LMHS, including an offer to purchase LMHS's membership rights in CHS and a simultaneous obligation to offer CHS' membership rights to LMHS at the same purchase price, adjusted upward by a formula that reflects the dissolution percentages Pursuant to the terms of the affiliation, the dissolution percentages are SJHS – 57 percent; LMHS – 43 percent.

Other Information

Outstanding Master Trust Indenture Obligations

As of December 31, 2019, the System had Obligations outstanding under the Master Indenture totaling $6,105,000,000. This excludes Obligations that secure interest rate or other swap transactions, bank liquidity or credit facilities. The Obligations outstanding under the Master Indenture relating to tax-exempt and taxable bond/note indebtedness are described further in the Note 7 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2019.

Certain of the outstanding Obligations secure tax-exempt bonds previously issued for the benefit of one or more Obligated Group Members (collectively, the *"Direct Placement Bonds"*) that were purchased directly by commercial banks. Certain other of the outstanding Obligations secure taxable loans and lines of credit previously incurred on behalf of the Obligated Group (the *"Taxable Loans"*) from one or more commercial banks or a syndicate of banks. Certain other of the outstanding Obligations secure payment obligations relating to bank liquidity or letter of credit facilities (the *"Credit Facilities"*) issued by credit banks to secure the payment of principal of, interest on and purchase price for certain tax-exempt and taxable bonds issued for the benefit of, or by, certain Obligated Group Members. The financial covenants relating to the Direct Placement Bonds, the Taxable Loans and the Credit Facilities are substantially consistent with the covenants in the Master Indenture. In addition to financial covenants, the Direct Placement Bonds, the Taxable Loans and the Credit Facilities include events of default that may cause an acceleration of the Obligations secured thereby, and, in turn, all Obligations secured by the Master Indenture. Certain documents relating to the Direct Placement Bonds, the Taxable Loans and the Credit Facilities containing these financial covenants and events of default are available for review on EMMA (http://emma.msrb.org).

Interest Rate Swap Arrangements

The System and/or certain of its affiliates may enter into interest rate swap contracts from time to time to increase or decrease variable rate debt exposure, to achieve a targeted mix of fixed and floating rate indebtedness and for other purposes.

At December 31, 2019, SJHS was party to seven interest rate swap agreements with a current notional amount totaling approximately $436 million and with varying expiration dates. The swap agreements require SJHS to make fixed rate payments in exchange for variable rate payments made by the counterparties. SJHS's payment obligations under such swap agreements are secured by Obligations issued under the Master Indenture.

Below is a summary of those swap agreements, including the fair value of the swaps as of December 31, 2019. Fair values are based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, also taking into account any nonperformance risk. Changes in the fair value of the interest rate swaps are included within non-operating gains and losses. See also the discussion under "Other Information - Interest Rate Swap Agreements" and Note 7 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2019.

DESCRIPTION	NOTIONAL	TERM	COUNTERPARTY	RECEIVE	PAY	FAIR VALUE
Fixed Payor	$13,550,000	Jul-21	Morgan Stanley	68% of 3 Month LIBOR	3.305%	($288,000)
Fixed Payor	$2,200,000	Jul-20	Morgan Stanley	68% of 3 Month LIBOR	3.189%	($22,000)
Fixed Payor	$173,310,000	Jul-47	MUFG Union	68% of 3 Month LIBOR	3.529%	($59,788,000)
Fixed Payor	$46,015,000	Jul-47	Wells Fargo	68% of 3 Month LIBOR	3.520%	($15,358,000)
Fixed Payor	$64,700,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($13,604,000)
Fixed Payor	$64,750,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($13,588,000)
Fixed Payor	$71,510,000	Dec-40	Wells Fargo	55.70% of 1 Month LIBOR + 0.23%	3.229%	($15,034,000)

Entering into derivative agreements including those described above creates a variety of risks to the System. Pursuant to certain of these agreements, both SJHS and the counterparty are required to deliver collateral in certain circumstances in order to secure their respective obligations under the agreements. As of December 31, 2019, SJHS posted collateral in the amount of approximately $15,322,000. The amount of collateral delivered by SJHS over the term of the agreements could increase or decrease based upon SJHS' credit ratings and movements of United States dollar swap rates and could be substantial. Under certain circumstances, the derivative agreements are subject to termination prior to their scheduled termination date and prior to the maturity of the related revenue bonds. Payments due upon early termination may be substantial. In the event of an early termination of an agreement, there can be no assurance that (i) SJHS or any other Obligated Group Member will receive any termination payment payable to it by the provider, (ii) SJHS or any other Obligated Group Member will have sufficient amounts to pay a termination payment payable by it to the provider, or (iii) SJHS or the other Obligated Group Members will be able to obtain a replacement agreement with comparable terms. For financial reporting purposes, the System has generally not treated its swap agreements as effective hedges against the interest cost of underlying debt. To the extent that swaps are not treated as effective hedges, the System must recognize any changes in the fair market value of the swaps agreements and the related debt as non-operating gains or losses. See Note 7 to the Combined Audited Financial Statements for the fiscal year ended December 31, 2019 attached to this Annual Report.

Litigation

Certain material litigation may result in an adverse outcome to the Obligated Group. Obligated Group Members are involved in litigation and regulatory investigations arising in the course of doing business. After consultation with legal counsel, except as described below, management estimates that these matters will be resolved without material adverse effect on the Obligated Group's future consolidated financial position or results of operations.

In 2019, the U.S. Department of Justice served Swedish Health Services with a Civil Investigative Demand requesting documents pertaining to certain arrangements and joint ventures and physician organizations. Swedish is cooperating with the Department and compiling the responsive documents.

A number of civil actions are pending or threatened against certain affiliates, including Obligated Group Members, alleging medical malpractice. In the opinion of management of Providence, based upon the advice of legal counsel and risk management personnel, the currently estimated costs and related expenses of defense will be within applicable insurance limits or will not materially adversely affect the financial condition or operations of the System.

Employees

As of December 31, 2019, the System included approximately 116,000 employed caregivers (excluding Hoag), representing 104,780 FTEs. Of the total employees in the System, approximately 32 percent are represented by 19 different labor unions.

Providence management provides market-competitive salaries and benefits to all employees in all markets. Management of Providence believes the salary levels and benefits packages for its employees are competitive in all of the respective markets. At the same time, management understands that the health care industry is rapidly evolving. The leadership of each of the separate employers within the System is working to ensure the compensation and benefits are modern and reflect competitive market practices. This will require continued negotiations at the various employers within the System throughout 2020. In the past two years, the System has experienced strikes at different facilities, as a result of contract negotiations. In each situation, the facility operated with qualified replacement employees and did not experience any disruption to hospital operations or patient service, and, ultimately settled the contracts. Management is also aware of ongoing organizing efforts by labor unions within the health care industry, including in markets where the separate employers within the System operates.

Community Benefit

Informed by our community health needs assessments, we make strategic proactive investments in community-focused health and social service programs, health professions education, and research directly responding to unmet needs. In addition, we provide free and discounted care for the uninsured and underinsured to ensure vital access. We also cover the unpaid cost of Medicaid as we care for individuals covered by Medicaid in the communities we serve across seven states.

Building on our commitment to care for those who are poor and vulnerable, we have invested $1.5 billion in community benefit in the fiscal year ended December 31, 2019, compared with $1.6 billion in the same period in 2018. Community benefit spending related to the unpaid costs of Medicaid was $816 million for the fiscal year ended December 31, 2019, compared with $927 million for the same period in 2018. While we decreased the uncompensated costs of Medicaid by $111 million, we served thousands more patients covered by the program.

Insurance

Providence has developed insurance programs that provide coverage for the vast majority of insurable risks. The program uses benchmarking and insurance analytics to guide its decisions regarding both the type of coverage it purchases and the limits of that insurance. The analytics use claims and historical data to estimate the likelihood of certain events occurring such as an earthquake or an anti-trust

claim. The premium for an additional limit can then be compared to the probability of the event to pinpoint when the purchase of an additional insurance limit no longer provides a value to the System. The insurance team and brokers negotiate almost all of the policies directly to obtain the most favorable terms of coverage possible. Policies are also reviewed to ensure no coverage gaps – what is excluded in one policy must be covered by a different policy. Insurers must have an A rating or better from A.M. Best to be on the System program. Management meets with most of its underwriters at least once a year to obtain updates on any changes in business strategy or capacity. Providence currently self-insures a portion of its professional and general liability. Such claims are paid through trust arrangements which are funded to a 75 percent confidence level based on projections from outside independent actuaries. The major lines of insurance that are renewed yearly include property, directors and officers, employment practices, auto, fiduciary, cyber/information security, workers' compensation, crime, and aviation.

Retirement Plans

As described more completely under the caption "Retirement Plans" in Note 8 to the combined audited financial statements included in Exhibit 6, the System currently sponsors defined benefit and contribution plans. Although the System had certain defined benefit plans in place prior to January 1, 2010, in April 2009, the PH&S Board of Directors approved a freeze of the existing defined benefit plans, a cap on the ongoing cash balance interest credit formula, and the implementation of new defined contribution plans referenced within Note 8, all effective December 31, 2009.

The System's remaining unfunded liability with respect to the defined benefit plans increased from approximately 58 percent at December 31, 2018 to 61 percent at December 31, 2019. The increase in the unfunded liability occurred primarily due to a change in the valuation discount rate. The System's contribution to the defined benefit plans was approximately $100 million and $99 million at December 31, 2019 and 2018, respectively.

The System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was $500 million and $513 million in December 31, 2019 and 2018, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

Accreditation and Memberships

The System's acute care hospital facilities are appropriately licensed by applicable state licensing agencies, certified for Medicare and Medicaid/Medi-Cal reimbursement, and (except Covenant Levelland, Providence Seward Medical Center, Providence Valdez Medical Center and Swedish Issaquah) accredited by The Joint Commission. Each long-term care facility or unit is licensed by applicable state licensing agencies and is appropriately certified for Medicare and Medicaid/Medi-Cal reimbursement.

Glossary of Terms

Credit Group:	Obligated Group Members, Designated Affiliates, and Limited Credit Group Participants and Unlimited Credit Group Participants, collectively.
Obligated Group or Obligated Group Members:	Obligated Group Members under the Master Indenture and currently: Providence PH&S Providence – Washington Providence – Southern California LCMASC Providence – Saint John's Providence – SJMC Montana Providence – Montana Providence – Oregon Providence – Western Washington Swedish Swedish Edmonds PacMed Western HealthConnect Kadlec SJHS St. Joseph Orange St. Jude Mission Hospital St. Mary Hoag Hospital SJHNC Queen of the Valley Santa Rosa Memorial St. Joseph Eureka Redwood Memorial CHS CMC Covenant Children's Covenant Levelland Covenant Plainview
Designated Affiliates:	Designated Affiliates under the Master Indenture. There are currently no Designated Affiliates.
Limited Credit Group Participants:	Limited Credit Group Participants under the Master Indenture. There are currently no Limited Credit Group Participants.
Unlimited Credit Group Participants:	Unlimited Credit Group Participants under the Master Indenture. There are currently no Unlimited Credit Group Participants.

CHS:	Covenant Health System, a Texas nonprofit corporation and currently an Obligated Group Member.
CMC:	Covenant Medical Center, a Texas nonprofit corporation and currently an Obligated Group Member.
Covenant Children's:	Methodist Children's Hospital, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Children's Hospital.
Covenant Levelland:	Methodist Hospital Levelland, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Lovelland Hospital.
Covenant Plainview:	Methodist Hospital Plainview, a Texas nonprofit corporation and currently an Obligated Group Member, doing business as Covenant Plainview Hospital.
Hoag Hospital:	Hoag Memorial Hospital Presbyterian, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Kadlec:	Kadlec Regional Medical Center, a Washington nonprofit corporation and currently an Obligated Group Member.
LCMASC:	Little Company of Mary Ancillary Services Corporation, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Mission Hospital:	Mission Hospital Regional Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
PacMed:	PacMed Clinics, a Washington nonprofit corporation and currently an Obligated Group Member.
PH&S:	Providence Health & Services, a Washington nonprofit corporation and currently an Obligated Group Member.

Providence – Montana:	Providence Health & Services – Montana, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence – Oregon:	Providence Health & Services – Oregon, an Oregon nonprofit corporation and currently an Obligated Group Member.
Providence – Saint John's:	Providence Saint John's Health Center, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – SJMC Montana:	Providence St. Joseph Medical Center, a Montana nonprofit corporation and currently an Obligated Group Member.
Providence – Southern California:	Providence Health System – Southern California, a California nonprofit religious corporation and currently an Obligated Group Member.
Providence – Washington:	Providence Health & Services – Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence – Western Washington:	Providence Health & Services – Western Washington, a Washington nonprofit corporation and currently an Obligated Group Member.
Providence St. Joseph Health, Providence, we, us, our:	Providence St. Joseph Health, a Washington nonprofit corporation and currently an Obligated Group Member and the Obligated Group Agent.
Queen of the Valley:	Queen of the Valley Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Redwood Memorial:	Redwood Memorial Hospital of Fortuna, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Santa Rosa Memorial:	Santa Rosa Memorial Hospital, a California nonprofit public benefit corporation and currently an Obligated Group Member.
SJHNC:	St. Joseph Health Northern California, LLC, a California limited liability company and currently an Obligated Group Member.
SJHS:	St. Joseph Health System, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Joseph Eureka:	St. Joseph Hospital of Eureka, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Joseph Orange:	St. Joseph Hospital of Orange, a California nonprofit public benefit corporation and currently an Obligated Group Member.
St. Jude:	St. Jude Hospital, Inc., a California nonprofit public benefit corporation and currently an Obligated Group Member, doing business as St. Jude Medical Center.
St. Mary:	St. Mary Medical Center, a California nonprofit public benefit corporation and currently an Obligated Group Member.
Swedish:	Swedish Health Services, a Washington nonprofit corporation and currently an Obligated Group Member.
Swedish Edmonds:	Swedish Edmonds, a Washington nonprofit corporation and currently an Obligated Group Member.
System:	Providence and all entities that are included within the combined financial statements of Providence.
Western HealthConnect:	Western HealthConnect, a Washington nonprofit corporation and currently an Obligated Group Member.

Exhibit 5 – Obligated Group Facilities

Exhibit 5.1
Acute Care Facilities by Region

A list of the System's acute care facilities in each region as of December 31, 2019, each of which is owned or operated by an Obligated Group Member, is provided in EXHIBIT 5.1 below.

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*
Alaska				
	Providence Health & Services-Washington	Providence Alaska Medical Center	Anchorage	401
		Providence Kodiak Island Medical Center[1]	Kodiak	25
		Providence Seward Medical and Care Center[1]	Seward	6
		Providence Valdez Medical Center[1]	Valdez	11
Swedish				
	Swedish Edmonds	Swedish Edmonds[2]	Edmonds	217
		Swedish Medical Center Campuses[3]:		
	Swedish Health Services	Swedish Ballard	Ballard	133
		Swedish Issaquah	Issaquah	175
		Swedish Cherry Hill	Seattle	385
		Swedish First Hill	Seattle	697
Washington and Montana				
	Providence Health & Services-Washington	Providence Centralia Hospital	Centralia	128
		Providence Regional Medical Center Everett	Everett	530
		Providence St. Peter Hospital[4]	Olympia	390
	Providence Health & Services-Washington	Providence St. Joseph's Hospital	Chewelah	65
		Providence Mount Carmel Hospital	Colville	55
		Providence Sacred Heart Medical Center and Children's Hospital	Spokane	691
		Providence Holy Family Hospital	Spokane	197
		Providence St. Mary Medical Center	Walla Walla	142
	Kadlec Regional Medical Center	Kadlec Regional Medical Center	Richland	337
	Providence Health & Services-Montana	St. Patrick Hospital	Missoula (MT)	253
	Providence St. Joseph Medical Center	Providence St. Joseph Medical Center	Polson (MT)	22
Oregon				
	Providence Health & Services-Oregon	Providence Hood River Memorial Hospital	Hood River	25
		Providence Medford Medical Center	Medford	168
		Providence Milwaukie Hospital	Milwaukie	77
		Providence Newberg Medical Center	Newberg	40
		Providence Willamette Falls Medical Center	Oregon City	143
		Providence St. Vincent Medical Center	Portland	523
		Providence Portland Medical Center	Portland	483
		Providence Seaside Hospital[5]	Seaside	25

Region	Obligated Group Member	Facility	Location(s)	Licensed Acute Care Beds*
Northern California				
	St. Joseph Health Northern California, LLC.	St. Joseph Hospital	Eureka	153
		Redwood Memorial Hospital	Fortuna	35
		Queen of the Valley Medical Center	Napa	208
		Santa Rosa Memorial Hospital	Santa Rosa	298
Southern California				
	Providence Health System-Southern California	Providence St. Joseph Medical Center	Burbank	392
		Providence Holy Cross Medical Center	Mission Hills	329
		Providence Little Company of Mary Medical Center San Pedro	San Pedro	183
		Providence Tarzana Medical Center	Tarzana	249
		Providence Little Company of Mary Medical Center Torrance	Torrance	327
	Providence Saint John's Health Center	Providence Saint John's Health Center	Santa Monica	266
	St. Mary Medical Center	St. Mary Medical Center	Apple Valley	213
	St. Jude Medical Hospital, Inc.	St. Jude Medical Center	Fullerton	320
		Mission Hospital Regional Medical Center Campuses[6]:		523
	Mission Hospital Regional Medical Center	Mission Hospital Regional Medical Center	Mission Viejo	
		Mission Hospital Laguna Beach	Laguna Beach	
		Hoag Memorial Hospital Presbyterian Campuses[7]:		518
	Hoag Memorial Hospital Presbyterian	Hoag Memorial Hospital Presbyterian	Newport Beach	
		Hoag Hospital Irvine	Irvine	
	St. Joseph Hospital of Orange	St. Joseph Hospital of Orange[8]	Orange	463
Texas				
	Methodist Hospital Levelland	Covenant Hospital Levelland	Levelland	48
		CHS Campuses:		381
	Covenant Health System	Covenant Medical Center	Lubbock	
		Covenant Medical Center - Lakeside	Lubbock	
		Grace Medical Center	Lubbock	123
	Methodist Children's Hospital	Covenant Children's Hospital	Lubbock	275
	Methodist Hospital Plainview	Covenant Hospital Plainview	Plainview	68
TOTAL				**11,716**

* Includes all acute care licensure categories except for normal newborn bassinettes and partial hospitalization psychiatric beds

(1) Leased and/or managed by Providence – Washington
(2) The legal entity Swedish Edmonds operates the hospital under a lease with Public Hospital District No. 2 of Snohomish County
(3) Four campuses with three licenses
(4) Includes a 50-bed chemical dependency center
(5) Leased to and managed by Providence – Oregon
(6) Two campuses on one license, including 36 acute care psychiatric beds in Laguna Beach
(7) Two campuses on one license
(8) Includes 37 acute care psychiatric beds

The System's principal owned or leased long-term care facilities as of December 31, 2019 is shown in EXHIBIT 5.2 is the table below.

Exhibit 5.2
Long-Term Care Facilities by Region

Region	Obligated Group Member	Facility	Location(s)	Licensed Long-Term Care Beds
Facilities Owned or Leased By Obligated Group Members:				
Alaska				
	Providence Health & Services-Washington	Providence Kodiak Island Medical Center[1]	Kodiak	22
		Providence Seward Medical and Care Center[1]	Seward	40
		Providence Valdez Medical Center[1]	Valdez	10
		Providence Extended Care	Anchorage	96
		Providence Transitional Care Center	Anchorage	50
Washington and Montana				
	Providence Health & Services-Washington	Providence Marionwood	Issaquah	117
		Providence Mother Joseph Care Center	Olympia	152
		Providence Mount St. Vincent	Seattle	215
	Providence Health & Services-Washington	Providence St. Joseph Care Center	Spokane	113
Oregon				
	Providence Health & Services-Oregon	Providence Benedictine Nursing Center[2]	Mt. Angel	98
		Providence Child Center	Portland	58
Northern California				
	St. Joseph Health Northern California, LLC.	Santa Rosa Memorial Hospital	Santa Rosa	31
Southern California				
	Providence Health System-Southern California	Providence Holy Cross Medical Center	Mission Hills	48
		Providence Little Company of Mary Subacute Care Center San Pedro	San Pedro	125
		Providence Little Company of Mary Transitional Care Center	Torrance	115
		Providence St. Elizabeth Care Center	North Hollywood	52
Texas				
	Covenant Health System	Covenant Long-term Acute Care	Lubbock	56
TOTAL				**1,398**

[1] Leased and/or managed by Providence - Washington
[2] Also includes 15 adult foster care units

Exhibit 6 – Supplementary Information and Audited Consolidated Financial Statements

[ATTACHED]

Providence

EXHIBIT 6.1 - SUMMARY AUDITED COMBINED STATEMENTS OF OPERATIONS

	Ended December 31, 2019 (in 000's of dollars)		Ended December 31, 2018 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Operating Revenues:				
Net Patient Service Revenues	$ 19,882,771	18,942,163	18,997,848	18,327,589
Premium Revenues	2,375,699	218,721	2,980,937	189,208
Capitation Revenues	1,514,449	682,235	1,378,117	562,518
Other Revenues	1,252,498	1,131,482	1,071,354	1,016,425
Total Operating Revenues	25,025,417	20,974,601	24,428,256	20,095,740
Operating Expenses:				
Salaries and Benefits	12,172,125	10,867,963	11,882,729	10,642,687
Supplies	3,697,745	3,422,267	3,562,637	3,311,462
Purchased Healthcare Services	2,049,290	390,689	2,413,977	234,808
Interest, Depreciation, and Amortization	1,344,735	1,253,021	1,360,025	1,273,213
Purchased Services, Professional Fees, and Other	5,388,494	4,049,638	5,043,347	3,866,686
Total Operating Expenses Before Restructuring Costs	24,652,389	19,983,578	24,262,715	19,328,856
Excess of Revenues Over Expenses from Operations Before Restructuring Costs	373,028	991,023	165,542	766,885
Restructuring Costs	158,729	158,729	162,146	162,146
Excess of Revenues Over Expenses From Operations	214,299	832,294	3,396	604,739
Net Non-operating Gains (Losses)	1,144,047	972,747	(447,788)	(422,537)
Excess (Deficit) of Revenues Over Expenses	$ 1,358,346	1,805,041	(444,393)	182,201

EXHIBIT 6.2 - SUMMARY AUDITED COMBINED STATEMENTS OF CASH FLOWS

	Ended December 31, 2019 (in 000's of dollars)		Ended December 31, 2018 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Net Cash Provided by Operating Activities	$ 963,361	2,457,092	1,348,012	1,834,510
Net Cash Used in Investing Activities	(1,474,810)	(2,325,152)	(1,233,858)	(884,078)
Net Cash Provided by (Used in) Financing Activities	230,261	(525,550)	112,054	(710,270)
(Decrease) Increase in Cash and Cash Equivalents	(281,188)	(393,610)	226,208	240,162
Cash and Cash Equivalents, Beginning of Period	1,597,397	1,027,088	1,371,189	786,926
Cash and Cash Equivalents, End of Period	$ 1,316,209	633,478	1,597,397	1,027,088

EXHIBIT 6.3 - SUMMARY AUDITED NET PATIENT REVENUE PAYOR MIX

	Ended December 31, 2019 (in 000's of dollars)		Ended December 31, 2018 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Commercial	50%	49%	49%	49%
Medicare	32%	32%	32%	32%
Medicaid	15%	16%	17%	16%
Self-pay and Other	3%	3%	2%	3%

Providence

EXHIBIT 6.4 - SUMMARY AUDITED COMBINED BALANCE SHEETS

	As of December 31, 2019 (in 000's of dollars)		As of December 31, 2018 (in 000's of dollars)	
	Consolidated	Obligated	Consolidated	Obligated
Current Assets:				
Cash and Cash Equivalents	$ 1,316,209	633,478	1,597,397	1,027,088
Accounts Receivable, Net	2,400,037	2,255,555	2,256,807	2,126,654
Supplies Inventory	283,256	271,513	293,259	281,923
Other Current Assets	1,232,738	1,168,026	857,596	789,070
Current Portion of Assets Whose Use is Limited	701,720	341,065	653,722	338,778
Total Current Assets	5,933,960	4,669,637	5,658,781	4,563,513
Assets Whose Use is Limited	10,854,956	8,183,847	9,599,278	7,144,631
Property, Plant, and Equipment, Net	10,977,989	10,435,875	10,870,578	10,286,917
Other Assets	2,785,088	3,177,694	1,300,183	1,932,833
Total Assets	$ 30,551,993	26,467,053	27,428,820	23,927,894
Current Liabilities:				
Current Portion of Long-Term Debt	$ 85,111	80,924	300,096	296,115
Master Trust Debt Classified as Short-Term	205,240	205,240	110,000	110,000
Accounts Payable	1,034,992	909,251	1,097,689	983,562
Accrued Compensation	1,145,308	1,057,534	1,202,269	1,109,270
Other Current Liabilities	2,427,583	1,780,475	1,835,023	1,187,849
Total Current Liabilities	4,898,234	4,033,424	4,545,077	3,686,796
Long-Term Debt, Net of Current Portion	6,393,194	6,280,796	6,257,868	6,125,953
Pension Benefit Obligation	1,093,830	1,093,830	1,065,098	1,065,098
Other Liabilities	2,291,687	1,223,193	1,169,817	484,017
Total Liabilities	14,676,945	12,631,243	13,037,860	11,361,864
Net Assets:				
Controlling Interests	14,344,233	12,911,678	12,988,247	11,739,238
Noncontrolling Interests	149,783	(475)	167,908	-
Net Assets Without Donor Restrictions	14,494,016	12,911,203	13,156,155	11,739,238
Net Assets With Donor Restrictions	1,381,032	924,607	1,234,805	826,792
Total Net Assets	15,875,048	13,835,810	14,390,960	12,566,030
Total Liabilities and Net Assets	$ 30,551,993	26,467,053	27,428,820	23,927,894

Providence

EXHIBIT 6.5 - KEY PERFORMANCE METRICS

	Ended December 31, 2019		Ended December 31, 2018	
	Consolidated	Obligated	Consolidated	Obligated
Inpatient Admissions	506,581	496,847	513,841	504,405
Acute Patient Days	2,464,462	2,413,118	2,441,202	2,395,267
Acute Outpatient Visits	12,862,964	12,099,750	12,481,103	11,796,227
Primary Care Visits	13,071,341	8,418,009	13,153,980	8,803,761
Inpatient Surgeries	219,945	213,959	223,367	217,394
Outpatient Surgeries	479,339	353,617	466,727	343,242
Long-Term Care Admissions	8,056	7,664	8,642	8,189
Long-Term Care Patient Days	401,925	391,803	413,477	401,861
Long-Term Care Average Daily Census	238	210	243	211
Home Health Visits	1,367,849	884,553	1,280,207	850,032
Hospice Days	1,027,037	605,087	902,781	581,857
Housing and Assisted Living Days	619,485	241,802	622,805	247,419
Health Plan Members	648,865	n/a	648,331	n/a
Acute Average Daily Census	6,752	6,611	6,688	6,562
Acute Licensed Beds	11,908	11,576	11,925	11,593
FTEs	104,780	92,318	105,114	93,584
Historical Debt Service Coverage Ratio	5.11	6.56	2.76	3.55

Providence

EXHIBIT 6.6 - SUMMARY AUDITED COMBINING STATEMENTS OF OPERATIONS BY REGION

	Ended December 31, 2019 (in 000's of dollars)								
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Operating Revenues:									
Net Patient Service Revenues	$ 877,338	2,641,782	4,510,769	2,624,318	1,415,332	6,127,283	1,143,386	542,563	19,882,771
Premium Revenues	-	-	-	2,306,962	-	-	-	68,737	2,375,699
Capitation Revenues	-	-	154,844	14,022	75,252	1,269,847	-	484	1,514,449
Other Revenues	59,533	132,957	256,500	316,435	50,143	322,306	61,027	53,597	1,252,498
Total Operating Revenues	936,871	2,774,739	4,922,113	5,261,737	1,540,727	7,719,436	1,204,413	665,381	25,025,417
Operating Expenses:									
Salaries and Benefits	354,314	1,310,865	2,245,480	1,740,628	602,681	2,774,572	505,404	2,638,181	12,172,125
Supplies	115,575	453,517	804,344	521,441	207,974	1,066,488	223,757	304,649	3,697,745
Purchased Healthcare Services	1,260	3,040	101,013	1,331,776	48,868	554,460	-	8,873	2,049,290
Interest, Depreciation, and Amortization	57,940	150,757	182,056	120,166	65,319	380,079	61,192	327,226	1,344,735
Purchased Services, Professional Fees, and Other	286,579	849,017	1,581,826	1,357,289	585,364	2,932,384	342,462	(2,546,427)	5,388,494
Total Operating Expenses Before Restructuring Costs	815,668	2,767,196	4,914,719	5,071,300	1,510,206	7,707,983	1,132,815	732,502	24,652,389
Excess of Revenues Over Expenses from Operations Before Restructuring Costs	121,203	7,543	7,394	190,437	30,521	11,453	71,598	(67,121)	373,028
Restructuring Costs	-	-	-	-	-	-	-	158,729	158,729
Excess (Deficit) of Revenues Over Expenses From Operations	121,203	7,543	7,394	190,437	30,521	11,453	71,598	(225,850)	214,299
Net Non-operating (Losses) Gains	110,478	69,221	122,939	222,208	56,197	410,146	22,074	130,784	1,144,047
Excess (Deficit) of Revenues Over Expenses	$ 231,681	76,764	130,333	412,645	86,718	421,599	93,672	(95,066)	1,358,346

Providence

EXHIBIT 6.7 - SUMMARY AUDITED COMBINING BALANCE SHEETS BY REGION

	As of December 31, 2019 (in 000's of dollars)								
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Other/ Eliminations	Consolidated
Current Assets:									
Cash and Cash Equivalents	$ 519,188	62,777	105,296	806,070	19,512	(736,994)	186,515	353,845	1,316,209
Accounts Receivable, Net	133,353	400,658	547,162	266,724	153,238	756,109	154,290	(11,497)	2,400,037
Supplies Inventory	15,783	40,957	57,201	46,762	21,729	74,821	16,435	9,568	283,256
Other Current Assets	26,777	161,352	829,791	200,861	81,953	415,198	(5,835)	(477,359)	1,232,738
Current Portion of Assets Whose Use is Limited	-	-	-	-	754	18,527	-	682,439	701,720
Total Current Assets	695,101	665,744	1,539,450	1,320,417	277,186	527,661	351,405	556,996	5,933,960
Assets Whose Use is Limited	883,563	580,385	957,865	2,152,635	421,197	3,271,099	258,938	2,329,274	10,854,956
Property, Plant, and Equipment, Net	430,181	1,276,214	1,612,001	1,088,080	712,532	3,973,988	544,071	1,340,922	10,977,989
Other Assets	76,635	358,478	330,472	152,802	30,299	1,154,779	114,944	566,679	2,785,088
Total Assets	$ 2,085,480	2,880,821	4,439,788	4,713,934	1,441,214	8,927,527	1,269,358	4,793,871	30,551,993
Current Liabilities:									
Current Portion of Long-Term Debt	37	5,722	891	151	42,727	51,646	15,230	(31,293)	85,111
Master Trust Debt Classified as Short-Term	-	-	-	-	-	84,662	-	120,578	205,240
Accounts Payable	20,640	92,204	136,656	109,303	47,134	340,080	32,181	256,794	1,034,992
Accrued Compensation	28,153	98,496	187,519	132,179	43,262	264,677	48,992	342,030	1,145,308
Other Current Liabilities	22,524	221,782	390,952	465,629	80,946	668,510	66,718	510,522	2,427,583
Total Current Liabilities	71,354	418,204	716,018	707,262	214,069	1,409,575	163,121	1,198,631	4,898,234
Long-Term Debt, Net of Current Portion	224,864	989,608	1,116,765	135,814	310,321	1,938,510	329,957	1,347,355	6,393,194
Pension Benefit Obligation	-	377,125	-	9,065	-	-	-	707,640	1,093,830
Other Liabilities	52,955	277,292	115,057	120,751	22,384	614,647	62,412	1,026,189	2,291,687
Total Liabilities	$ 349,173	2,062,229	1,947,840	972,892	546,774	3,962,732	555,490	4,279,815	14,676,945
Net Assets:									
Controling Interests	1,713,370	705,740	2,422,290	3,494,941	832,064	4,103,626	642,816	429,386	14,344,233
Noncontroling Interests	383	2,276	-	515	-	114,820	26,761	5,028	149,783
Net Assets Without Donor Restrictions	1,713,753	708,016	2,422,290	3,495,456	832,064	4,218,446	669,577	434,414	14,494,016
Net Assets With Donor Restrictions	22,554	110,576	69,658	245,586	62,376	746,349	44,291	79,642	1,381,032
Total Net Assets	1,736,307	818,592	2,491,948	3,741,042	894,440	4,964,795	713,868	514,056	15,875,048
Total Liabilities and Net Assets	$ 2,085,480	2,880,821	4,439,788	4,713,934	1,441,214	8,927,527	1,269,358	4,793,871	30,551,993

Providence

EXHIBIT 6.8 - KEY PERFORMANCE METRICS BY REGION

	As of December 31, 2019							
	Alaska	Swedish	Washington/ Montana	Oregon	Northern California	Southern California	West Texas/ Eastern New Mexico	Consolidated
Inpatient Admissions	16,333	60,291	126,838	61,991	29,703	185,286	26,139	506,581
Acute Patient Days	119,299	296,910	659,085	315,720	153,235	787,907	132,306	2,464,462
Acute Outpatient Visits	466,929	739,939	3,173,243	3,487,974	733,771	3,569,488	691,620	12,862,964
Primary Care Visits	110,664	1,769,432	3,896,200	2,384,306	605,171	3,573,213	599,199	13,071,341
Inpatient Surgeries	8,294	29,348	59,742	30,000	8,439	75,704	8,418	219,945
Outpatient Surgeries	11,400	55,972	122,966	129,575	16,054	117,741	25,631	479,339
Long-Term Care Patient Days	59,477	n/a	5,163	44,828	n/a	81,028	10,122	401,925
Home Health Visits	14,557	n/a	5,677	319,578	53,712	n/a	n/a	1,367,849
Hospice Days	24,043	n/a	n/a	203,546	116,817	438	64,862	1,027,037
Housing and Assisted Living Days	29,182	n/a	26,917	141,295	n/a	n/a	n/a	619,485
Health Plan Members	n/a	n/a	n/a	648,865	n/a	n/a	n/a	648,865
Average Daily Census	327	813	1,806	865	420	2,159	362	6,752
Acute Licensed Beds	485	1,607	2,810	1,484	774	3,853	895	11,908
FTEs	3,724	10,731	21,442	16,912	5,003	26,162	5,626	104,780

KPMG

PROVIDENCE ST. JOSEPH HEALTH

Combined Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

We have audited the accompanying combined financial statements of Providence St. Joseph Health, which comprise the combined balance sheets as of December 31, 2019 and 2018, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Providence St. Joseph Health as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, in 2019, Providence St. Joseph Health adopted new accounting guidance in Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

KPMG

Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Obligated Group Combining Balance Sheets and Statements of Operations Information included on pages 36 and 37 are presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 4, 2020

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2019 and 2018

(In millions of dollars)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	1,316	1,597
Accounts receivable, less allowance for bad debts of $0 and $119, respectively		2,400	2,257
Supplies inventory		283	293
Other current assets		1,233	858
Current portion of assets whose use is limited		702	654
Total current assets		5,934	5,659
Assets whose use is limited		10,855	9,599
Property, plant, and equipment, net		10,978	10,871
Operating lease right-of-use assets		1,240	—
Other assets		1,545	1,300
Total assets	$	30,552	27,429
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	85	300
Master trust debt classified as short-term		205	110
Accounts payable		1,035	1,098
Accrued compensation		1,145	1,202
Current portion of operating lease right-of-use liabilities		267	—
Other current liabilities		2,161	1,835
Total current liabilities		4,898	4,545
Long-term debt, net of current portion		6,393	6,258
Pension benefit obligation		1,094	1,065
Long-term operating lease right-of-use liabilities, net of current portion		1,167	—
Other liabilities		1,125	1,170
Total liabilities		14,677	13,038
Net assets:			
Controlling interests		14,344	12,988
Noncontrolling interests		150	168
Net assets without donor restrictions		14,494	13,156
Net assets with donor restrictions		1,381	1,235
Total net assets		15,875	14,391
Total liabilities and net assets	$	30,552	27,429

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Operations

Years ended December 31, 2019 and 2018

(In millions of dollars)

	2019	2018
Operating revenues:		
Net patient service revenues	$ 19,883	19,109
Provision for bad debts	—	(111)
Net patient service revenues less provision for bad debts	19,883	18,998
Premium revenues	2,376	2,981
Capitation revenues	1,514	1,378
Other revenues	1,252	1,071
Total operating revenues	25,025	24,428
Operating expenses:		
Salaries and benefits	12,172	11,883
Supplies	3,698	3,563
Purchased healthcare services	2,049	2,414
Interest, depreciation, and amortization	1,345	1,360
Purchased services, professional fees, and other	5,388	5,043
Total operating expenses before restructuring costs	24,652	24,263
Excess of revenue over expenses from operations before restructuring costs	373	165
Restructuring costs	159	162
Excess of revenue over expenses from operations	214	3
Net nonoperating gains (losses):		
Loss on extinguishment of debt	(14)	(6)
Investment income (loss), net	1,285	(366)
Other	(127)	(76)
Total net nonoperating gains (losses)	1,144	(448)
Excess (deficit) of revenues over expenses	$ 1,358	(445)

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Changes in Net Assets

Years ended December 31, 2019 and 2018

(In millions of dollars)

	Without donor restrictions			
	Controlling interests	Noncontrolling interests	With donor restrictions	Total net assets
Balance, December 31, 2017	$ 13,366	179	1,201	14,746
(Deficit) excess of revenues over expenses	(469)	24	—	(445)
Contributions, grants, and other	85	(35)	145	195
Net assets released from restriction	35	—	(111)	(76)
Pension related changes	(29)	—	—	(29)
(Decrease) increase in net assets	(378)	(11)	34	(355)
Balance, December 31, 2018	12,988	168	1,235	14,391
Excess of revenues over expenses	1,313	45	—	1,358
Contributions, grants, and other	32	(63)	256	225
Net assets released from restriction	56	—	(110)	(54)
Pension related changes	(45)	—	—	(45)
Increase (decrease) in net assets	1,356	(18)	146	1,484
Balance, December 31, 2019	$ 14,344	150	1,381	15,875

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In millions of dollars)

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 1,484	(355)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,076	1,083
Provision for bad debt	—	111
Loss on extinguishment of debt	14	6
Restricted contributions and investment income received	(256)	(145)
Net realized and unrealized (gains) losses on investments	(1,139)	487
Changes in certain current assets and current liabilities	(54)	176
Change in certain long-term assets and liabilities	(162)	(15)
Net cash provided by operating activities	963	1,348
Cash flows from investing activities:		
Property, plant, and equipment additions, net of disposals	(1,188)	(857)
(Purchases) sales of securities, net	(389)	(71)
Purchases of alternative investments and commingled funds	(604)	(679)
Proceeds from sales of alternative investments and commingled funds	848	415
Other investing activities	(142)	(42)
Net cash used in investing activities	(1,475)	(1,234)
Cash flows from financing activities:		
Proceeds from restricted contributions and restricted income	256	145
Debt borrowings	1,497	566
Debt payments	(1,453)	(608)
Other financing activities	(69)	9
Net cash provided by financing activities	231	112
(Decrease) increase in cash and cash equivalents	(281)	226
Cash and cash equivalents, beginning of year	1,597	1,371
Cash and cash equivalents, end of year	$ 1,316	1,597
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 276	277

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2019 and 2018

(In millions of dollars)

(1) Basis of Presentation and Significant Accounting Policies

(a) Reporting Entity

Providence St. Joseph Health (the Health System), a Washington nonprofit corporation, is the sole corporate member of Providence Health & Services (PHS) and the St. Joseph Health System (SJHS). PHS, a Washington nonprofit corporation, is a Catholic healthcare system sponsored by the public juridic person, Providence Ministries. SJHS, a California nonprofit public benefit corporation, is a Catholic healthcare system sponsored by the public juridic person, St. Joseph Health Ministry.

The Health System seeks to improve the health of the communities it serves, especially the poor and vulnerable. The Health System operations include 51 hospitals and a comprehensive range of services provided across Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. The Health System also provides population health management through various affiliated licensed insurers and other risk-bearing entities.

The Health System has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). PHS, SJHS, and substantially all of the various corporations within the Health System have been granted exemptions from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations described in Section 501(c)(3). During 2019 and 2018, the Health System did not record any liability for unrecognized tax benefits.

The accompanying combined balance sheets and related combined statements of operations, changes in net assets, and cash flows reflect the Health System's financial position and results of operations as of and for the years ended December 31, 2019 and 2018.

(b) Basis of Presentation

The accompanying combined financial statements of the Health System were prepared in accordance with U.S. generally accepted accounting principles and include the assets, liabilities, revenues, and expenses of all wholly owned affiliates, majority-owned affiliates over which the Health System exercises control, and, when applicable, entities in which the Health System has a controlling financial interest. Intercompany balances and transactions have been eliminated in combination.

(c) Performance Indicator

The performance indicator is the excess (deficit) of revenues over expenses. Changes in unrestricted net assets that are excluded from the performance indicator include net assets released from restriction for the purchase of property, plant, and equipment, certain changes in funded status of pension and other postretirement benefit plans, restricted contributions from affiliations, net changes in noncontrolling interests in combined joint ventures, and certain other activities.

(Continued)

(d) Operating and Nonoperating Activities

The Health System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, physician services, long-term care, population health management, and other healthcare and health insurance services. Activities directly associated with the furtherance of this mission are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include investment earnings, gains or losses from debt extinguishment, certain pension related costs, gains or losses on interest rate swaps, and certain other activities.

(e) Restructuring Costs

Restructuring costs were recorded during the years ended December 31, 2019 and 2018. The amounts were comprised of severance, consulting expenses and asset impairment related to restructuring initiatives.

(f) Use of Estimates and Assumptions

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) allowance for contractual revenue adjustments; (2) allowance for bad debts in 2018; (3) fair value of acquired assets and assumed liabilities in business combinations; (4) fair value of investments; (5) reserves for self-insured healthcare plans; and (6) reserves for professional, workers' compensation and general insurance liability risks.

The accounting estimates used in the preparation of the combined financial statements will change as new events occur, additional information is obtained or the operating environment changes. Assumptions and the related estimates are updated on an ongoing basis and external experts may be employed to assist in the evaluation, as considered necessary. Actual results could materially differ from those estimates.

(g) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original or remaining maturity of three months or less when acquired.

(h) Supplies Inventory

Supplies inventory is stated at the lower of cost (first-in, first-out) or market.

(i) Investments Including Assets Whose Use Is Limited

The Health System has classified all of its investments as trading securities. These investments are reported on the combined balance sheets at fair value on a trade-date basis.

(Continued)

(In millions of dollars)

Assets whose use is limited primarily include assets held by trustees under indenture agreements, self-insurance funds, funds held for the payment of health plan medical claims and other statutory reserve requirements, assets held by related foundations, and designated assets set aside by management of the Health System for future capital improvements and other purposes, over which management retains control.

(j) Liquidity

Cash and cash equivalents and accounts receivable are the primary liquid resources used by the Health System to meet expected expenditure needs within the next year. The Health System has credit facility programs, as described in Note 7, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 68% of noncurrent investments, as stated at December 31, 2019, could be utilized within the next year if needed.

(k) Derivative Instruments

The Health System allows certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage interest rate risk related to the Health System's fixed-income holdings. Also, the Health System uses derivative financial instruments (interest rate swaps) to manage its interest rate exposure and overall cost of borrowing. The interest rate swap agreements do not meet the criteria for hedge accounting and all changes in the valuation are recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations.

(l) Net Assets

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. Amounts related to the Health System's noncontrolling interests in certain joint ventures are included in net assets without donor restrictions.

Net assets with donor restrictions are those whose use by the Health System has been limited by donors to a specific time period, in perpetuity, and/or purpose.

Net assets with donor restrictions are available for the following purposes as of December 31:

		2019	2018
Program support	$	1,046	903
Capital acquisition		228	211
Low-income housing and other		107	121
Total net assets with donor restrictions	$	1,381	1,235

(m) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the promise to give is no longer conditional. The gifts are reported as

(Continued)

contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as other operating revenues in the combined statements of operations or as net assets released from restriction in the combined statements of changes in net assets.

(n) Charity Care and Community Benefit

The Health System provides community benefit activities that address significant health priorities within its geographic service areas. These activities include Medicaid and Medicare shortfalls, community health services, education and research, and free and low-cost care (charity care).

Charity care is reported at cost and is determined by multiplying the charges incurred at established rates for services rendered by the Health System's cost-to-charge ratio. The cost of charity care provided by the Health System for the years ended December 31, 2019 and 2018 was $303.

(o) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 4, 2020, the date the accompanying combined financial statements were issued.

(p) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU replaces most existing revenue recognition guidance. The ASU was adopted on January 1, 2018 using the cumulative effect method for those contracts that were not substantially completed as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under Topic 606, while prior period amounts continue to be presented in accordance with the Health System's historical accounting under *Revenue Recognition (Topic 605)*. The adoption of the ASU primarily changed the Health System's presentation of revenues and the provision and allowance for bad debts. The ASU requires revenue to be recognized based on the Health System's estimate of the transaction price the Health System expects to collect as a result of satisfying its performance obligations. Accordingly, for performance obligations satisfied after January 1, 2018, the Health System no longer separately presents a provision for bad debts on the combined statements of operations or the related allowance for bad debts on the combined balance sheets. However, as a result of the Health System's election to apply the ASU only to contracts not substantially completed as of January 1, 2018, the Health System continued to maintain an allowance for bad debts related to performance obligations satisfied prior to January 1, 2018. Changes to the allowance for bad debts, other than the write-offs of uncollectable accounts, are recorded through the provision for bad debts on the combined statements of operations in accordance with Topic 605 continuing into 2018. The adoption of Topic 606 did not have a significant impact on the recognition of net patient services revenues.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The Health

System implemented ASU 2016-01 for the fiscal year beginning January 1, 2018. The provisions of the standard did not have a material impact on the combined financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use (ROU) asset for all lease obligations with exception to short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the ROU asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale-leaseback transactions. Topic 842 is effective for the Health System beginning on January 1, 2019. In 2019, the FASB updated its guidance allowing entities to adopt the provisions of the standard prospectively without adjusting comparative periods. The Health System elected this option. The Health System elected to apply the packages of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs. Additionally, the Health System elected to apply the hindsight practical expedient, which allows entities to use hindsight in determining the lease term and in assessing impairment. In 2019, the Health System recorded initial ROU assets, offset by existing deferred rent, of approximately $1.4 billion and lease liabilities of approximately $1.6 billion on its combined balance sheets.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the intent of reducing diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects; (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the options to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Health System implemented ASU 2016-14 as of January 1, 2018. The impact of adoption resulted in enhanced disclosures about the classification of expenses and management of liquid resources.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires the amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Health System adopted ASU 2016-18 in 2019 and the provisions of the standard did not have an impact on the combined financial statements.

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract,* which requires implementation costs incurred by customers in cloud computing arrangements to be deferred and recognized over the term of the arrangement, if those costs would be capitalized in a software licensing arrangement under internal-use software guidance in *Accounting Standards Codification Topic 350-40, Intangibles – Goodwill and Other-Internal-Use Software.* The Health System adopted ASU 2018-15 in 2019 and the provisions of the standard did not have a material impact on the combined financial statements.

In May 2019, the FASB issued ASU 2019-06, *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit entities,* which provides optional alternatives to goodwill and certain intangible assets acquired in a business combination. The alternatives are intended to (1) reduce the frequency of impairment tests; (2) simplify the impairment test when it is required; and (3) result in recognition of fewer intangible assets in future business combinations. The Health System is currently evaluating the impact of this ASU.

(q) Reclassifications

Certain reclassifications, which have no impact on net assets or changes in net assets, have been made to prior year amounts to conform to the current year presentation.

(2) Revenue Recognition

(a) Net Patient Service Revenues

The Health System has agreements with governmental and other third-party payors that provide for payments to the Health System at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods.

Net patient service revenues are recognized at the time services are provided to patients. Revenue is recorded in the amount which the Health System expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of $26 and $6 for the years ended December 31, 2019 and 2018, respectively.

Various states in which the Health System operates have instituted a provider tax on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional Federal funds to support increased payments to providers of Medicaid services. The taxes are included in purchased services, professional fees, and other expenses in the accompanying combined statements of operations and were $597 and $591 for the years ended December 31, 2019 and 2018, respectively. These programs resulted in enhanced payments from these states in the way of lump-sum payments and per claim increases. These enhanced payments are included in net patient service revenues in the accompanying combined statements of operations and were $942 and $894 for the years ended December 31, 2019 and 2018, respectively.

(b) Premium and Capitation Revenues

Premium and capitation revenues are received on a prepaid basis and are recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the Health System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The balance of contract liabilities was $24 and $29 as of December 31, 2019 and 2018, respectively. The Health System has no material contract assets.

(In millions of dollars)

(c) Allowance for Bad Debts

As a result of adopting ASU 2014-09 as described in Note 1, the Health System continued to maintain an allowance for bad debts related to performance obligations satisfied prior to January 1, 2018. These accounts have all been fully resolved, therefore the allowance for bad debts has declined to $0 as of December 31, 2019.

The Health System provided for an allowance against patient accounts receivable for amounts that could become uncollectible. The Health System estimated this allowance based on the aging of accounts receivable, historical collection experience by payor, and other relevant factors. There are various factors that can impact the collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the increased burden of copayments to be made by patients with insurance coverage and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process used by the Health System. The Health System records a provision for bad debts in the period of services on the basis of past experience, which has historically indicated that many patients are unresponsive or are otherwise unwilling to pay the portion of their bill for which they are financially responsible.

The estimates made and changes affecting those estimates are summarized as follows for the years ended December 31:

		2019	2018
Changes in allowance for bad debts:			
Allowance for doubtful accounts at beginning of year	$	119	227
Write-off of uncollectible accounts, net of recoveries		(119)	(219)
Provision for bad debts		—	111
Allowance for bad debts at end of year	$	—	119

(d) Disaggregation of Revenue

The Health System earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

(Continued)

(In millions of dollars)

Operating revenues from contracts with customers by state are as follows for the years ended December 31:

		2019	2018
Alaska	$	877	851
Washington		7,036	6,724
Montana		450	433
Oregon		5,207	5,091
California		9,083	8,684
Texas		1,120	1,574
Total revenues from contracts with customers		23,773	23,357
Other revenues		1,252	1,071
Total operating revenues	$	25,025	24,428

Operating revenues from contracts with customers by line of business are as follows for the years ended December 31:

		2019	2018
Hospitals	$	16,805	16,187
Health plans and accountable care		2,553	3,212
Physician and outpatient activities		2,865	2,726
Long-term care, home care, and hospice		1,198	990
Other		352	242
Total revenues from contracts with customers		23,773	23,357
Other revenues		1,252	1,071
Total operating revenues	$	25,025	24,428

(Continued)

(In millions of dollars)

Operating revenues from contracts with customers by payor are as follows for the years ended December 31:

		2019	2018
Commercial	$	11,918	11,503
Medicare		8,017	7,540
Medicaid		3,441	3,781
Self-pay and other		397	533
Total revenues from contracts with customers		23,773	23,357
Other revenues		1,252	1,071
Total operating revenues	$	25,025	24,428

(3) Fair Value Measurements

ASC Topic 820 (Topic 820), *Fair Value Measurements*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(a) Assets Whose Use Is Limited

The fair value of assets whose use is limited, other than those investments measured using net asset value per share (NAV) as a practical expedient for fair value, is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable.

(Continued)

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2019 and 2018

(In millions of dollars)

The composition of assets whose use is limited is set forth in the following tables:

	December 31, 2019	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 295	295	—	—
Equity securities:				
Domestic	1,193	1,193	—	—
Foreign	398	398	—	—
Mutual funds	1,421	1,421	—	—
Domestic debt securities:				
State and federal government	1,914	1,077	837	—
Corporate	867	—	867	—
Other	759	—	759	—
Foreign debt securities	344	—	344	—
Commingled funds	102	102	—	—
Other	33	2	31	—
Investments measured using NAV	3,628			
Total management-designated cash and investments	10,954			
Gift annuities, trusts, and other	207	53	11	143
Funds held by trustee:				
Cash and cash equivalents	156	156	—	—
Domestic debt securities	210	106	104	—
Foreign debt securities	30	—	30	—
Total funds held by trustee	396			
Total assets whose use is limited	$ 11,557			

(Continued)

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2019 and 2018

(In millions of dollars)

	December 31, 2018	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	$ 308	308	—	—
Equity securities:				
Domestic	1,012	1,012	—	—
Foreign	317	317	—	—
Mutual funds	1,214	1,214	—	—
Domestic debt securities:				
State and federal government	1,607	951	656	—
Corporate	756	—	756	—
Other	507	—	507	—
Foreign debt securities	186	—	186	—
Commingled funds	336	336	—	—
Other	17	—	17	—
Investments measured using NAV	3,386	—	—	—
Total management-designated cash and investments	9,646			
Gift annuities, trusts, and other	184	53	12	119
Funds held by trustee:				
Cash and cash equivalents	112	112	—	—
Domestic debt securities	274	151	123	
Foreign debt securities	37	—	37	—
Total funds held by trustee	423			
Total assets whose use is limited	$ 10,253			

The Health System participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

(Continued)

(In millions of dollars)

The following table presents information, including unfunded commitments for investments where the NAV was used to estimate the value of the investments as of December 31:

	Fair value		Unfunded commitments	Redemption frequency	Redemption notice period
	2019	2018			
Hedge funds:					
Long/short equity	$ 743	639	—	Monthly, quarterly, semi-annually, or annually	30–120 days
Credit	364	360	—	Quarterly or annually	45–150 days
Relative value	201	208	—	Quarterly	60–90 days
Global macros	169	244	—	Monthly or quarterly	2–90 days
Fund of hedge funds	9	7	—	Quarterly	90 days
Private equity	579	372	620	Not applicable	Not applicable
Private real estate	185	155	216	Not applicable	Not applicable
Risk parity	—	84	—	Monthly or annually	5–60 days
Real assets	136	244	112	Monthly or quarterly	10–60 days
Commingled	1,242	1,073	—	Monthly, quarterly, or semi-annually	6–90 days
Total	$ 3,628	3,386	948		

The following is a summary of the nature of these investments and their associated risks:

Hedge funds are portfolios of investments that use advanced investment strategies, such as long/short equity, credit, relative value, global macro, and fund of hedge funds positions in both domestic and international markets, with the goal of diversifying portfolio risk and generating return. The Health System's investments in hedge funds include certain funds with provisions that limit the Health System's ability to access assets invested. These provisions include lockup terms that range up to three years from the subscription date or are continuous and determined as a percent of total assets invested. The Health System is in various stages of the lockup periods dependent on hedge fund and period of initial investments.

Private equity and private real estate funds make opportunistic investments that are primarily private in nature. These investments cannot be redeemed by the Health System; rather the Health System has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

Risk parity is an approach to investment portfolio management which focuses on allocation of risk, usually defined as volatility, rather than allocation of capital. The risk parity approach asserts that when asset allocations are adjusted to the same risk level, the risk parity portfolio can achieve a higher Sharpe ratio and can be more resistant to market downturns than the traditional portfolio. The key to risk parity is to diversify across asset classes that behave differently across economic environments.

(Continued)

(In millions of dollars)

Real asset strategies invest in securities backed by tangible real assets, with the objective of achieving attractive diversified total returns over the long term, while maximizing the potential for real returns in periods of rising inflation. Real asset investments should provide a return in excess of inflation, and their performance should be sensitive to changes in inflation or expectations for future levels of inflation. The real asset category is made up of many different underlying sectors inclusive of agriculture, commodities, gold, infrastructure, private energy, MLPs (Master Limited Partnerships), real estate, REITs (Real Estate Investment Trusts), timberland, and TIPS (Treasury Inflation Protected Securities). Each of these sectors tends to have a high degree of sensitivity to inflation and be less correlated with traditional equities and fixed income.

Commingled describes a type of fund structure. Commingled funds consist of assets from several accounts that are blended together. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment.

(b) Unsettled Transactions

Investment sales and purchases initiated prior to and settled subsequent to the combined balance sheet date result in amounts due from and to brokers. As of December 31, 2019, the Health System recorded a receivable of $300 for investments sold but not settled and a payable of $558 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets. As of December 31, 2018, the Health System recorded a receivable of $102 for investments sold but not settled and a payable of $305 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets.

(c) Derivative Instruments

The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the combined balance sheets as of December 31:

		2019	2018
Derivative assets:			
Futures contracts	$	681	707
Foreign currency forwards and other contracts		135	153
Total derivative assets	$	816	860
Derivative liabilities:			
Futures contracts	$	(681)	(707)
Foreign currency forwards and other contracts		(140)	(153)
Total derivative liabilities	$	(821)	(860)

(Continued)

(In millions of dollars)

(d) Investment Income (Loss), Net

		2019	2018
Interest and dividend income	$	146	121
Net realized gains on sale of trading securities		161	165
Change in net unrealized gains (losses) on trading securities		978	(652)
Investment income (loss), net	$	1,285	(366)

(e) Assets Measured Using Significant Unobservable Inputs

The following table presents the Health System's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820:

Balance at December 31, 2017	$	105
Total realized and unrealized gains, net		3
Total purchases		16
Total sales		(5)
Balance at December 31, 2018		119
Total realized and unrealized gains, net		3
Total purchases		36
Total sales		(15)
Balance at December 31, 2019	$	143

There were no significant transfers between assets classified as Level 1 and Level 2 during the years ended December 31, 2019 and 2018.

Level 3 assets include charitable remainder trusts, real property, and equity investments in healthcare technology start-ups through the Health System's innovation venture capital fund. Fair values of real property were estimated using a market approach. Fair values of charitable remainder trusts were estimated using an income approach. Fair value of equity investments in healthcare technology start-ups were estimated using a combination of income and market approach.

(4) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, and maintenance and repairs are expensed. The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property equally over its estimated useful life or lease term. Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

(Continued)

(In millions of dollars)

Interest capitalized on amounts expended during construction is a component of the cost of additions to be allocated to future periods through the provision for depreciation. Capitalization of interest ceases when the addition is substantially complete and ready for its intended use.

Property, plant, and equipment and the total accumulated depreciation are as follows as of December 31:

	Approximate useful life (years)	2019	2018
Land	—	$ 1,476	1,459
Buildings and improvements	5–60	10,229	10,036
Equipment:			
Fixed	5–25	1,305	1,289
Major movable and minor	3–20	6,249	6,050
Construction in progress	—	1,497	970
		20,756	19,804
Less accumulated depreciation		(9,778)	(8,933)
Property, plant, and equipment, net		$ 10,978	10,871

Construction in progress primarily represents renewal and replacement of various facilities in the Health System's operating divisions, as well as costs capitalized for software development.

(5) Other Assets

Other assets are summarized as follows as of December 31:

	2019	2018
Investment in nonconsolidated joint ventures	$ 330	337
Intangible assets	258	236
Goodwill	307	229
Beneficial interest in noncontrolled foundations	228	176
Other	422	322
Total other assets	$ 1,545	1,300

Goodwill is recorded as the excess of cost over fair value of the acquired net assets. Indefinite-lived intangible assets are recorded at fair value using various methods depending on the nature of the intangible asset. Both goodwill and indefinite-lived intangible assets are tested annually for impairment.

(Continued)

(In millions of dollars)

Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

The Health System recorded no goodwill impairment for the years ended December 31, 2019 and 2018.

(6) Leases

The Health System enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, the Health System records the related ROU asset and liability at the present value of the lease payments over the contract term using the Health System's incremental borrowing rate. Building lease agreements generally require the Health System to pay maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain lease also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at the Health System's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term. The Health System has elected the practical expedient to not separate lease components from non-lease components for its financing and operating leases.

The components of lease cost are as follows for the year ended December 31, 2019:

	2019
Operating lease cost:	
Fixed lease expense	$ 293
Short-term lease expense	39
Variable lease expense	95
Total operating lease cost	427
Finance lease cost:	
Amortization of ROU assets	23
Interest on finance lease liabilities	21
	$ 44

(Continued)

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Notes to Combined Financial Statements

December 31, 2019 and 2018

(In millions of dollars)

Supplemental cash flow and other information related to leases as of and for the year ended December 31 are as follows:

		2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	280
Operating cash flows from finance leases		19
Financing cash flows from finance leases		14
Additions to ROU assets obtained from operating leases		110
Additions to ROU assets obtained from finance leases		7
Weighted-average remaining lease term (in years):		
Operating leases		9
Finance leases		15
Weighted-average discount rate:		
Operating leases		3.6%
Finance leases		7.5%

Commitments related to noncancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2019 are as follows:

		Operating	Finance
2020	$	267	31
2021		247	32
2022		225	31
2023		172	27
2024		149	27
Thereafter		642	298
		1,702	446
Less: Imputed interest		268	204
Total lease liabilities		1,434	242
Less: Current portion		267	31
Total capital lease obligation	$	1,167	211

(Continued)

(In millions of dollars)

Lease assets and lease liabilities as of December 31, 2019, were as follows:

			2019
Assets	Classification		
Operating	Operating leases ROU assets	$	1,240
Finance	Property, plant, and equipment, net		222
Liabilities			
Current			
Operating	Current portion of operating lease ROU liabilities		267
Finance	Current portion of long-term debt		31
Long-term			
Operating	Long-term operating lease ROU liabilities, net of current portion		1,167
Finance	Long-term debt, net of current portion		211

Future minimum lease commitments under noncancelable operating leases for the next five years and thereafter as of December 31, 2018, prior to the adoption of ASU 2016-02, were as follows:

2020	$	222
2021		206
2022		183
2023		162
2024		144
Thereafter		727
	$	1,644

Rental expense, including month-to-month leases and contingent rents, was $411 for the year ended December 31, 2018, and is included in other expenses in the accompanying combined statements of operations.

(7) Debt

(a) Short-Term and Long-Term Debt

The Health System has borrowed master trust debt issued through the following:

- California Health Facilities Financing Authority (CHFFA)
- Alaska Industrial Development and Export Authority (AIDEA)
- Washington Health Care Facilities Authority (WHCFA)
- Montana Facility Finance Authority (MFFA)

(Continued)

(In millions of dollars)

- Lubbock Health Facilities Development Corp (LHFDC)
- Oregon Facilities Authority (OFA)

Short-term and long-term unpaid principal consists of the following at December 31:

	Maturing through	Coupon rates	Unpaid principal 2019	2018
Master trust debt:				
Fixed rate:				
Series 2005, Direct Obligation Notes	2030	5.30–5.39%	$ 36	38
Series 2008B, LHFDC Revenue Bonds	2023	4.00–5.00	15	24
Series 2009A, Direct Obligation Notes	2019	6.25	—	100
Series 2009A, CHFFA Revenue Bonds	2039	5.50–5.75	—	185
Series 2009B, CHFFA Revenue Bonds	2039	5.50	—	150
Series 2009B, CHFFA Revenue Bonds	2021	5.25	—	26
Series 2009C, CHFFA Revenue Bonds	2034	5.00	91	91
Series 2009D, CHFFA Revenue Bonds	2034	1.70	40	40
Series 2010A, WHCFA Revenue Bonds	2039	4.88–5.25	—	174
Series 2011A, AIDEA Revenue Bonds	2041	5.00–5.50	123	123
Series 2011B, WHCFA Revenue Bonds	2021	3.50–5.00	22	32
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	11	13
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	462	471
Series 2012B, WHCFA Revenue Bonds	2042	4.00–5.00	100	100
Series 2013A, OFA Revenue Bonds	2024	5.00	41	48
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	325	325
Series 2013C, CHFFA Revenue Bonds	2043	5.00	—	110
Series 2013D, Direct Obligation Notes	2023	4.38	252	252
Series 2013D, CHFFA Revenue Bonds	2043	5.00	110	110
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	191	269
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	92	92
Series 2014D, WHCFA Revenue Bonds	2041	5.00	177	179
Series 2015A, WHCFA Revenue Bonds	2045	4.00	78	78
Series 2015C, OFA Revenue Bonds	2045	4.00–5.00	71	71
Series 2016A, CHFFA Revenue Bonds	2047	2.50–5.00	448	448
Series 2016B, CHFFA Revenue Bonds	2036	1.25–4.00	286	286
Series 2016H, Direct Obligation Bonds	2036	2.75	300	300
Series 2016I, Direct Obligation Bonds	2047	3.74	400	400
Series 2018A, Direct Obligation Bonds	2048	4.00	350	350
Series 2018B, WHCFA Revenue Bonds	2033	5.00	142	142
Series 2019A, Direct Obligation Bonds	2029	2.53	650	—
Series 2019B, CHFFA Revenue Bonds	2039	5.00	118	—
Series 2019C, CHFFA Revenue Bonds	2039	5.00	323	—
Total fixed rate			5,373	5,146

(Continued)

(In millions of dollars)

	Maturing through	Effective interest rate (1) 2019	Effective interest rate (1) 2018	Unpaid principal 2019	Unpaid principal 2018
Variable rate:					
Series 2012C, WHCFA Revenue Bonds	2042	1.46 %	1.44 %	$ 80	80
Series 2012D, WHCFA Revenue Bonds	2042	1.46	1.44	80	80
Series 2012E, Direct Obligation Notes	2042	2.28	1.99	224	226
Series 2016C, LHFDC Revenue Bonds	2030	2.09	1.98	33	36
Series 2016D, WHCFA Revenue Bonds	2036	2.11	1.95	89	103
Series 2016E, WHCFA Revenue Bonds	2036	2.03	1.88	89	103
Series 2016F, MFFA Revenue Bonds	2026	2.04	1.85	37	42
Series 2016G, Direct Obligation Notes	2047	2.24	1.97	100	100
Total variable rate				732	770
Wells Fargo Credit Facility	2019	2.81	2.39	—	110
Wells Fargo Credit Facility	2021	2.92	2.52	—	105
Unpaid principal, master trust debt				6,105	6,131
Premiums, discounts, and unamortized financing costs, net				231	155
Master trust debt, including premiums and discounts, net				6,336	6,286
Other long-term debt				347	382
Total debt				$ 6,683	6,668

(1) Variable rate debt and credit facilities carry floating interest rates attached to indexes, which are subject to change based on market conditions.

During 2019, the Health System issued $1,091 of Series 2019A, 2019B, and 2019C revenue bonds and direct obligations notes. In January 2018, the Health System issued $492 of Series 2018A and 2018B revenue bonds and direct obligation notes. The intended uses of funds included refinancing legacy SJHS and PHS master trust debt and repayment of outstanding lines of credit.

In connection with the Series 2019A-C issuance and Series 2018A-B issuance, the Health System recorded losses due to extinguishment of debt of $14 and $6 in the years ended December 31, 2019 and 2018, respectively. The losses were recorded in net nonoperating gains (losses) in the accompanying combined statements of operations.

The following table reflects classification of long-term debt obligations in the accompanying combined balance sheets as of December 31:

	2019	2018
Current portion of long-term debt	$ 85	300
Short-term master trust debt	205	110
Long-term debt, classified as a long-term liability	6,393	6,258
Total debt	$ 6,683	6,668

(Continued)

(In millions of dollars)

Short-term master trust debt represents debt issues with remarketing provisions unsupported by credit facilities with mandatory redemption within one year of December 31, 2019 and 2018.

(b) Other Long-Term Debt

Other long-term debt consists of the following as of December 31:

	2019	2018
Finance leases	$ 242	255
Notes payable	100	117
Bonds not under master trust indenture and other	5	10
Total other long-term debt	$ 347	382

(c) Debt Service

Scheduled principal payments of long-term debt, considering all obligations under the master trust indenture as due according to their long-term amortization schedule, for the next five years and thereafter are as follows:

	Master trust	Other	Total
2020	$ 69	16	85
2021	79	19	98
2022	82	17	99
2023	365	17	382
2024	114	15	129
Thereafter	5,396	263	5,659
Scheduled principal payments of long-term debt	$ 6,105	347	6,452

(d) Derivative Instruments

The Health System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. As of December 31, 2019 and 2018, the Health System had interest rate swap contracts with a total current notional amount totaling $436 and $453, respectively, with varying expiration dates. The interest rate swap agreements do not meet the criteria for hedge accounting and all changes in the valuation are recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations. Settlements related to these agreements are recognized as a component of interest, depreciation, and amortization expense in the accompanying combined statements of operations. For the years ended December 31, 2019 and 2018, the change in valuation was a loss of $33 and a gain of $17, respectively, and settlements recognized as a component of interest expense were $8 and $9, respectively.

(Continued)

(In millions of dollars)

Derivative financial instruments are recorded at fair value taking into consideration the Health System's and the counterparties' nonperformance risk. The fair value of the interest rate swaps is based on independent valuations obtained and are determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which is the input used in the valuation, taking also into account any nonperformance risk. Collateral posted for the interest rate swaps consist of cash and U.S. government securities, which are both categorized as Level 1 financial instruments.

As of December 31, 2019 and 2018, the fair value of outstanding interest rate swaps was in a net liability position of $117 and $84, respectively, and is included in other liabilities in the accompanying combined balance sheets. Collateral posted in connection with the outstanding swap agreements as of December 31, 2019 was $15 and is included in other assets in the accompanying combined balance sheets. The Health System had no collateral posted in connection with the outstanding swap agreements as of December 31, 2018.

The following tables present the fair value of swaps and related collateral:

	December 31, 2019	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Liabilities under interest rate swaps	$ 117	—	117	—

	December 31, 2018	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Liabilities under interest rate swaps	$ 84	—	84	—

(Continued)

(In millions of dollars)

(8) Retirement Plans

(a) Defined Benefit Plans

The Health System sponsors various frozen defined benefit retirement plans. The measurement dates for the defined benefit plans are December 31. A rollforward of the change in projected benefit obligation and change in the fair value of plan assets for the defined benefit plans is as follows:

		2019	2018
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	2,535	2,741
Service cost		23	27
Interest cost		113	106
Actuarial loss (gain)		292	(153)
Benefits paid and other		(169)	(186)
Projected benefit obligation at end of year		2,794	2,535
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year		1,469	1,686
Actual return on plan assets		299	(130)
Employer contributions		100	99
Benefits paid and other		(169)	(186)
Fair value of plan assets at end of year		1,699	1,469
Funded status		(1,095)	(1,066)
Unrecognized net actuarial loss		572	526
Unrecognized prior service cost		—	1
Net amount recognized	$	(523)	(539)
Amounts recognized in the combined balance sheets consist of:			
Current liabilities	$	(1)	(1)
Noncurrent liabilities		(1,094)	(1,065)
Unrestricted net assets		572	527
Net amount recognized	$	(523)	(539)
Weighted average assumptions:			
Discount rate		3.50 %	4.60 %
Rate of increase in compensation levels		3.50	3.50
Long-term rate of return on assets		6.50	6.50

(Continued)

(In millions of dollars)

Net periodic pension cost for the defined benefit plans includes the following components:

		2019	2018
Components of net periodic pension cost:			
Service cost	$	23	27
Interest cost		113	106
Expected return on plan assets		(96)	(105)
Amortization of prior service cost		1	1
Recognized net actuarial loss		24	26
Net periodic pension cost	$	65	55
Special recognition – settlement expense	$	19	26

Certain plans sponsored by the Health System allow participants to receive their benefit through a lump-sum distribution upon election. When lump-sum distributions exceed the combined total of service cost and interest cost during a reporting period settlement expense is recognized. Settlement expense represents the proportional recognition of unrecognized actuarial loss and prior service cost. Settlement expense for the years ended December 31, 2019 and 2018 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was $2,739 and $2,488 at December 31, 2019 and 2018, respectively.

The following pension benefit payments reflect expected future service. Payments expected to be paid over the next 10 years are as follows:

2020	$	189
2021		187
2022		185
2023		183
2024–2029		1,039
	$	1,783

The Health System expects to contribute approximately $111 to the defined benefit plans in 2020.

The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used 6.5% in calculating the 2019 and 2018 expense amounts. This assumption is based on capital market assumptions and the plan's target asset allocation.

(Continued)

(In millions of dollars)

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause 6.5% to be outside of a reasonable range of expected returns, or if actual plan returns over an extended period of time, suggest that general market assumptions are not representative of expected plan results, the Health System may revise this estimate prospectively.

The target asset allocation and expected long-term rate of return on assets (ELTRA) were as follows at December 31:

	2019 Target	2019 ELTRA	2018 Target	2018 ELTRA
Cash and cash equivalents	2 %	3%	2 %	2%–3%
Equity securities	45	7%–9%	45	7%–8%
Debt securities	33	3%–4%	33	3%–4%
Other securities	20	5%–11%	20	5%–8%
Total	100 %	6.5 %	100 %	6.5 %

The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2019	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 73	73	—	—
Equity securities:				
Domestic	293	293	—	—
Foreign	77	77	—	—
Mutual funds	128	128	—	—
Domestic debt securities:				
State and government	400	310	90	—
Corporate	129	—	129	—
Other	15	—	15	—
Foreign debt securities	49	—	49	—
Commingled funds	144	144	—	—
Investments measured using NAV	582			
Transactions pending settlement, net	(191)			
Total	$ 1,699			

(Continued)

(In millions of dollars)

The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2018	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 81	81	—	—
Equity securities:				
Domestic	226	226	—	—
Foreign	61	61	—	—
Mutual funds	103	103	—	—
Domestic debt securities:				
State and government	266	208	58	—
Corporate	122	—	122	—
Other	15	—	15	—
Foreign debt securities	40	—	40	—
Commingled funds	141	141	—	—
Investments measured using NAV	487			
Transactions pending settlement, net	(73)			
Total	$ 1,469			

The Health System's defined benefit plans participate in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments provided by the fund managers are reasonable estimates of fair value.

(Continued)

(In millions of dollars)

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of December 31:

	Fair value		Redemption frequency	Redemption notice period
	2019	2018		
Hedge funds:				
Long/short equity	$ 54	43	Monthly or quarterly	30–65 days
Credit and other	64	61	Monthly or quarterly	90 days
Real assets	61	53	Monthly	30 days
Risk parity	135	108	Monthly	5–15 days
Commingled	268	222	Monthly	6–30 days
Total	$ 582	487		

The Health System's defined benefit plans also allow certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage interest rate risk related to the plans' fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in the plans' assets as of December 31:

	2019	2018
Derivative assets:		
Futures contracts	$ 128	724
Foreign currency forwards and other contracts	2	4
Total derivative assets	$ 130	728
Derivative liabilities:		
Futures contracts	$ (128)	(724)
Foreign currency forwards and other contracts	(3)	(3)
Total derivative liabilities	$ (131)	(727)

(b) Defined Contribution Plans

The Health System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the Health System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was $500 and $513 in 2019 and 2018, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

(Continued)

(9) Self-Insurance Liabilities

The Health System has established self-insurance programs for professional and general liability and workers' compensation insurance coverage. These programs provide insurance coverage for healthcare institutions associated with the Health System. The Health System also operates insurance captives, Providence Assurance, Inc. and American Unity Group, Ltd., to self-insure or reinsure certain layers of professional and general liability risk.

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Insurance coverage in excess of the per occurrence self-insured retention has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

At December 31, 2019 and 2018, the estimated liability for future costs of professional and general liability claims was $455 and $393, respectively. At December 31, 2019 and 2018, the estimated workers' compensation obligation was $367 and $351, respectively. Both are recorded in other current liabilities and other liabilities in the accompanying combined balance sheets.

(10) Commitments and Contingencies

(a) Commitments

Firm purchase commitments at December 31, 2019, primarily related to construction and equipment and software acquisition, are approximately $654.

(b) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Institutions within the Health System are subject to similar regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's combined financial statements.

(Continued)

PROVIDENCE ST. JOSEPH HEALTH

Notes to Combined Financial Statements

December 31, 2019 and 2018

(In millions of dollars)

(11) Functional Expenses

Operating expenses classified by their natural classification on the combined statements of operations are presented by their functional classifications as follows for the years ended December 31:

	2019								
	Program Activities					Supporting Activities			
	Hospitals	Health plans and accountable care	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
Salaries and benefits	$ 6,932	125	2,364	695	10,116	1,924	132	2,056	12,172
Supplies	2,992	2	302	138	3,434	—	264	264	3,698
Purchased healthcare services	219	1,501	219	110	2,049	—	—	—	2,049
Interest, depreciation, and amortization	803	8	79	21	911	427	7	434	1,345
Purchased services, professional fees and other	2,784	200	1,148	152	4,284	980	124	1,104	5,388
Restructuring costs	—	—	—	—	—	159	—	159	159
Total operating expenses	$ 13,730	1,836	4,112	1,116	20,794	3,490	527	4,017	24,811

	2018								
	Program Activities					Supporting Activities			
	Hospitals	Health plans and accountable care	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
Salaries and benefits	$ 6,964	119	2,319	577	9,979	1,821	83	1,904	11,883
Supplies	2,920	1	279	114	3,314	—	249	249	3,563
Purchased healthcare services	13	2,349	36	16	2,414	—	—	—	2,414
Interest, depreciation, and amortization	815	7	78	19	919	433	8	441	1,360
Purchased services, professional fees and other	3,089	265	1,051	120	4,525	413	105	518	5,043
Restructuring costs	—	—	—	—	—	162	—	162	162
Total operating expenses	$ 13,801	2,741	3,763	846	21,151	2,829	445	3,274	24,425

Supporting activities include costs that are not controllable by operational leadership. Health System leadership drives these costs, which benefit the entire Health System. Costs that are controllable by operational leadership are allocated to the respective program activities.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Balance Sheets Information

December 31, 2019 and 2018

(In millions of dollars)

	2019			2018		
Assets	**Obligated Group**	**Nonobligated, eliminations, Other**	**Total combined**	**Obligated Group**	**Nonobligated, eliminations, Other**	**Total combined**
Current assets:						
Cash and cash equivalents	$ 633	683	1,316	1,027	570	1,597
Accounts receivable, net	2,255	145	2,400	2,127	130	2,257
Supplies inventory	272	11	283	282	11	293
Other current assets	1,169	64	1,233	789	69	858
Current portion of assets whose use is limited	341	361	702	339	315	654
Total current assets	4,670	1,264	5,934	4,564	1,095	5,659
Assets whose use is limited	8,184	2,671	10,855	7,145	2,454	9,599
Property, plant, and equipment, net	10,436	542	10,978	10,287	584	10,871
Operating lease right-of-use assets	970	270	1,240	—	—	—
Other assets	2,207	(662)	1,545	1,932	(632)	1,300
Total assets	$ 26,467	4,085	30,552	23,928	3,501	27,429
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	$ 81	4	85	296	4	300
Master trust debt classified as short-term	205	—	205	110	—	110
Accounts payable	909	126	1,035	984	114	1,098
Accrued compensation	1,057	88	1,145	1,109	93	1,202
Current portion of operating lease right-of-use liabilities	219	48	267	—	—	—
Other current liabilities	1,562	599	2,161	1,188	647	1,835
Total current liabilities	4,033	865	4,898	3,687	858	4,545
Long-term debt, net of current portion	6,281	112	6,393	6,126	132	6,258
Pension benefit obligation	1,094	—	1,094	1,065	—	1,065
Long-term operating lease right-of-use liabilities, net of current portion	898	269	1,167	—	—	—
Other liabilities	325	800	1,125	484	686	1,170
Total liabilities	12,631	2,046	14,677	11,362	1,676	13,038
Net assets:						
Net assets without donor restrictions	12,911	1,583	14,494	11,739	1,417	13,156
Net assets with donor restrictions	925	456	1,381	827	408	1,235
Total net assets	13,836	2,039	15,875	12,566	1,825	14,391
Total liabilities and net assets	$ 26,467	4,085	30,552	23,928	3,501	27,429

See accompanying independent auditors' report

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2019 and 2018

(In millions of dollars)

	2019			2018		
	Obligated Group	Nonobligated, eliminations, Other	Total combined	Obligated Group	Nonobligated, eliminations, Other	Total combined
Operating revenues:						
Net patient service revenues	$ 18,942	941	19,883	18,439	670	19,109
Provision for bad debts	—	—	—	(111)	—	(111)
Net patient service revenues less provision for bad debts	18,942	941	19,883	18,328	670	18,998
Other revenues	2,033	3,109	5,142	1,768	3,662	5,430
Total operating revenues	20,975	4,050	25,025	20,096	4,332	24,428
Operating expenses:						
Salaries and benefits	10,868	1,304	12,172	10,643	1,240	11,883
Supplies	3,422	276	3,698	3,311	252	3,563
Interest, depreciation, and amortization	1,253	92	1,345	1,273	87	1,360
Purchased services, professional fees, and other	4,441	2,996	7,437	4,102	3,355	7,457
Total operating expenses before restructuring costs	19,984	4,668	24,652	19,329	4,934	24,263
Excess of revenue over expenses from operations before restructuring costs	991	(618)	373	767	(602)	165
Restructuring costs	159	—	159	162	—	162
Excess (deficit) of revenues over expenses from operations	832	(618)	214	605	(602)	3
Net nonoperating gains (losses):						
Loss on extinguishment of debt	(14)	—	(14)	(6)	—	(6)
Investment income (loss), net	1,054	231	1,285	(330)	(36)	(366)
Other	(67)	(60)	(127)	(87)	11	(76)
Total net nonoperating gains (losses)	973	171	1,144	(423)	(25)	(448)
Excess (deficit) of revenues over expenses	$ 1,805	(447)	1,358	182	(627)	(445)

See accompanying independent auditors' report.

EXHIBIT B

Agency License Details

The license status information shown below represents information taken from the California Department of Insurance (CDI) licensing database at the time of your inquiry. This information may not always be current. For example, items sent to the CDI may be pending review or simply may not have yet been entered into our licensing database. For instance, continuing education hours quoted may not reflect courses taken in the last 45 days. This database will reflect concluded disciplinary actions against licensees. Complaints and ongoing investigations are confidential and, therefore, not available.

Section 12938 (a) of the California Insurance Code, in part, requires the CDI to make all fully executed stipulations, orders, decisions, and settlements available to the public on its Web site. You can search for key documents regarding any enforcement action the department has filed against this licensee on the Enforcement Action Documents Search Page. Please note Enforcement Action Documents (i.e. legal pleadings and orders generated during the enforcement action) are available on this Web site only for enforcement actions taken on or after July 1, 2001. If an enforcement action was taken prior to July 1, 2001, this Web site will only provide a summary description of the enforcement action. Documents relating to actions taken prior to July 1, 2001 may be obtained by submitting a written request to the CDI. If there are enforcement actions, they will be displayed below. Please scroll down to view.

Glossary of Terms

Name: PROVIDENCE PLAN PARTNERS License#: 0M39536

DBA: AYIN ADMINISTRATIVE HEALTH SOLUTIONS

Comments:
AYIN ADMINISTRATIVE HEALTH SOLUTIONS MUST BE USED FOR ALL ADMINISTRATIVE BUSINESS CONDUCTED IN CALIFORNIA.

License type: Registered Administrator Status: Active Status Date: 06/13/2018 Exp Date: 06/30/2022

Business Address: 3601 SW MURRAY BLVD. BEAVERTON, OR 97005

Records 1 to 5

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Last Revised - August 13, 2019 02:40 PM

EXHIBIT C

PROVIDENCE Health Plan

Home About Us

About Us

Welcome to Providence Health Plan, a part of the integrated delivery system of Providence Health & Services. We provide or administer health coverage to more than 650,000 members nationwide. We continue to respond to the needs of the community by offering insurance for commercial groups, Medicare, Medicaid, individuals and families. We work with your physicians, hospitals and pharmacies to keep you healthy, and we strive to make your health care affordable.

Mission and Values

Learn about the Providence commitment, the foundation of who we are and what we do.

History

Providence Health Plan is part of a rich history that dates back more than 160 years, with the founding of the Sisters of Providence in Montreal, Quebec, Canada. This religious community is devoted to working with the poor and vulnerable.

Awards and Recognition

Providence Health Plan has been recognized nationally for providing members with excellent health care and has received numerous awards that honor our services, from environmental stewardship to disease management.

Caring for Your Health

Learn about our unique approach to caring for you.

Corporate and Social Responsibility

Based upon the belief that we are called to make a difference in our society and that we all are responsible for the health of the planet, Providence is committed to corporate and social responsibility. This commitment is integral to who we are and sets us apart in the local community. We support the needs of our region and we also take seriously our stewardship of the environment. Through our actions, we acknowledge that caring for people, communities and the earth are intertwined.

Our Insurance Plans

Learn more about Providence health insurance and apply for coverage that meets your budget and health care needs. Learn more about special values and discounts, as well as our extensive doctor and pharmacy resources here.

.

EXHIBIT D

DEPARTMENT OF Managed Health Care

View All Health Plans | Contact Information

Contact Information

Legal Name
Providence Health Network

DBA

Type
Full Service

Locations:
Location Name
Providence Health Network
Contact
Member Services
Address
20555 Earl Street Torrance, CA 90503
Phone
888.432.5464
Fax
Not Available
TDD
Not Available
Email
Not Available
Website
www.providence.org

Counties Served by the Health Plan:
The health plan has not reported which counties they serve.

EXHIBIT E

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Coronavirus update

Your safety is our priority. We're doing more than ever to help ensure your protection and well-being when you come see us for care.

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How We Began

Providence

In 1856, Mother Joseph and four Sisters of Providence established hospitals, schools and orphanages across the Northwest. Over the years, other Catholic sisters transferred sponsorship of their ministries to Providence, including the Little Company of Mary, Dominicans and Charity of Leavenworth. Recently, Swedish Health Services, Kadlec Regional Medical Center and Pacific Medical Centers have joined Providence as secular partners with a common commitment to serving all members of the community. Today, Providence serves Alaska, California, Montana, Oregon and Washington.

St. Joseph Health

In 1912, a small group of Sisters of St. Joseph landed on the rugged shores of Eureka, California, to provide education and health care. The ministry later established roots in Orange, California, and expanded to serve Southern California, the California High Desert, Northern California and Texas. The health system established many key partnerships, including the transfer of sponsorship of St. Mary Medical Center in California from the Brothers of St. John of God and a joining of Lubbock Methodist Hospital System and St. Mary of the Plains Hospital to form Covenant Health in Lubbock, Texas. Recently, an affiliation was established with Hoag Health to increase access to services in Orange County, California.

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OUR MISSION

As expressions of God's healing love, witnessed through the ministry of Jesus, we are steadfast in serving all, especially those who are poor and vulnerable.

OUR VALUES

Compassion, Dignity, Justice, Excellence, Integrity.

Learn more about our mission, vision and values.

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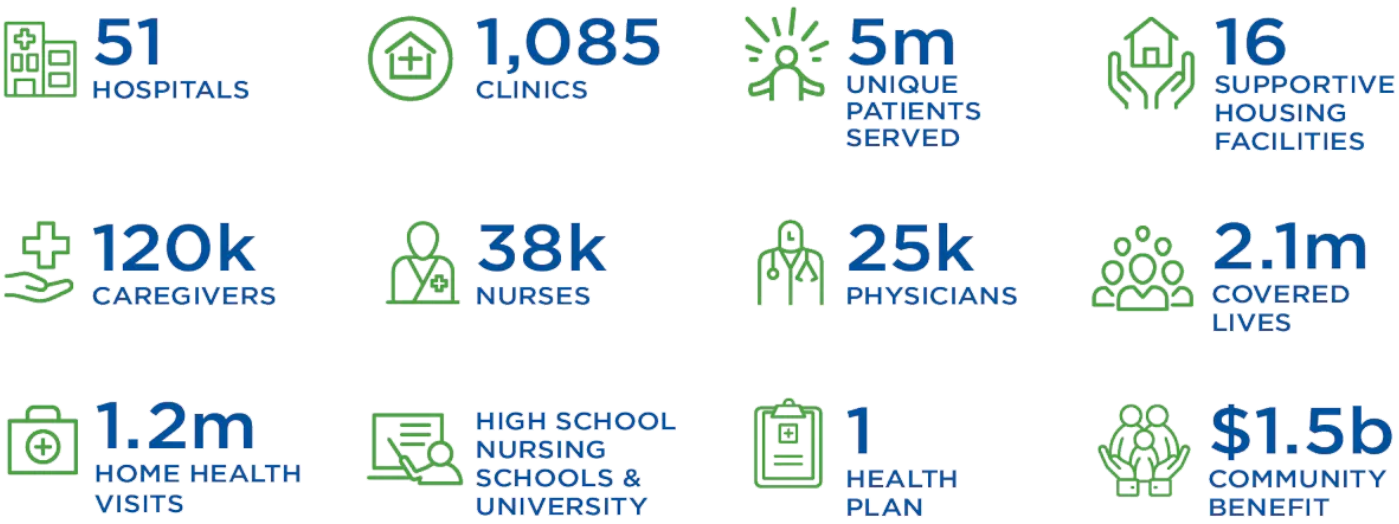
The Future of Health for All



At Providence, we use our voice to advocate for vulnerable populations and needed reforms in health care. We are also pursuing innovative ways to transform health care by keeping people healthy, and making our services more convenient, accessible and affordable for all. In an increasingly uncertain world, we are committed to high-quality, compassionate health care for everyone – regardless of coverage or ability to pay. We help people and communities benefit from the best health care model for the future – today.

Together, our 120,000 caregivers (all employees) serve in 51 hospitals, 1,085 clinics and a comprehensive range of health and social services across Alaska, California, Montana, New Mexico, Oregon, Texas and Washington. The Providence family includes:

- Providence across five western states
- St. Joseph Health in Northern California
- Covenant Health in West Texas
- Facey Medical Foundation in Los Angeles, CA.
- Hoag Memorial Hospital Presbyterian in Orange County, CA.
- Kadlec in Southeast Washington
- Pacific Medical Centers in Seattle, WA.
- Swedish Health Services in Seattle, WA.

As a comprehensive health care organization, we are serving more people, advancing best practices and continuing our more than 100-year tradition of serving the poor and vulnerable. Delivering services across seven states, Providence is committed to touching millions of more lives and enhancing the health of the American West to transform care for the next generation and beyond.

Find us in your community

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Washington

Southern Californ

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Where We Serve

Alaska

- Providence Health & Services - Alaska

California

- St. Joseph Health - Northern California (Humboldt, Napa, Sonoma counties), including:
  - St. Joseph Heritage Healthcare
- Providence - Southern California (Los Angeles, Orange, and San Bernardino counties, the High Desert), including:
  - Facey Medical Foundation
  - Hoag Health
  - St. Joseph Heritage Healthcare

Montana

- Providence Health & Services - Montana

New Mexico

- Covenant Health - Eastern New Mexico

Oregon

- Providence Health & Services - Oregon, including:
  - Providence Health Plan

Texas

- St. Joseph Health - West Texas
- Covenant Health - West Texas, including:
  - Covenant Medical Group

Washington

- Providence Health & Services - Washington, including:
  - Kadlec Regional Medical Center
  - Pacific Medical Centers
  - Swedish Health Services

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